NOMINATION OF GEORGE P. SHULTZ

HEARINGS

BEFORE THE

COMMITTEE ON FOREIGN RELATIONS
UNITED STATES SENATE

NINETY-SEVENTH CONGRESS

SECOND SESSION

ON

NOMINATION OF GEORGE P. SHULTZ, OF CALIFORNIA, TO BE SECRETARY OF STATE

JULY 13 AND 14, 1982

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NOMINATION OF GEORGE P. SHULTZ

TUESDAY, JULY 13, 1982

UNITED STATES SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, D.C.

The committee met, pursuant to notice, at 9:35 a.m., in room 1202, Dirksen Senate Office Building, Hon. Charles H. Percy (chairman of the committee) presiding.

Present: Senators Percy, Baker, Helms, Hayakawa, Lugar, Kassebaum, Boschwitz, Pressler, Pell, Biden, Glenn, Sarbanes, Zorinsky, Tsongas, Cranston, and Dodd.

Also present: Senator Arlen Specter.

The CHAIRMAN. This morning, as we open our hearing on the President's nomination of George P. Shultz to be Secretary of State, we are well aware that the attention of the Nation and indeed the attention of the people of the world are on Mr. George Shultz and on this hearing. Everyone wants to know more about the nominee and the type of influence he will bring to bear on U.S. foreign policy.

We will not look merely at his qualifications, but concentrate upon his feelings about the world in which we live and the U.S. role in that world. Traditionally, the hearing on the confirmation of a Secretary of State has been used for that purpose. He will be replacing Secretary Haig, a man with whom we have worked closely through the years, a man who has devoted himself to his Nation for virtually four decades. His service to this country has been inestimable, and his working relationship with this committee has been, after a thorough confirmation hearing, a very close one.

I was particularly pleased when Secretary Haig expressed himself with tremendous admiration at the President's selection of George Shultz to be his successor. He termed George Shultz an absolutely outstanding choice, an outstanding man.

Those of us who have been privileged to know George Shultz through the years, and I have had that privilege for 25 years, know him to be an extraordinary man with vast experience, a reputation for prudence, for fairness and justice, and with a broad understanding of international politics and economics. The high esteem in which he is held is illustrated by the fact that he was chosen to serve in a variety of posts in the administrations of Presidents Eisenhower, Kennedy, Johnson, Nixon, and Ford.

He has been Secretary of Labor, Director of the Office of Management and Budget, and Secretary of the Treasury. He has negotiated for and represented the United States in both Europe and Asia. Most recently, he has been Chairman of President Reagan's

Economic Policy Advisory Board, and played a prominent role in preparations for the Versailles economic summit.

Mr. Shultz, you have been nominated for a position which will enable you to make a tremendous contribution in developing and directing U.S. foreign policy, to promote U.S. interests throughout the world, and, in fact, the interests of the entire free world. You have the opportunity to apply your talents to the tasks of seeking peace and security for the United States, our allies and our friends, indeed, for all nations and all people of the world.

The responsibility is immense. There are major problems, but there are also major challenges and opportunities that face the United States in its foreign policy in Europe, Asia, Latin America, and Africa. The situation in the Middle East cries out alone for special attention and special wisdom at this particular moment.

We welcome you to the committee very much.

Senator Pell.

Senator PELL. Thank you, Mr. Chairman. I join you in welcoming Mr. Shultz here today. He certainly has a wonderful and distinguished record in Government and the business world. He is well known to many of us here as a man of great intelligence, ability, and integrity.

However, this change in the position of Secretary of State comes at a very difficult time. The administration is in the position of changing horses in the middle of a stream, with two powerful currents of crisis, in Lebanon and in Western Europe regarding the Soviet pipeline project.

The abruptness of Secretary Haig's departure and the reference in his letter of resignation to the shifting course in the administration's conduct of foreign policy do suggest a foreign policy in some state of disarray. Your immediate priority should be to convey to the American people, our allies and friends, and our adversaries that a steady, reliable, and, I very much hope, peaceful hand is at the helm of our American foreign policy ship.

This hearing today and tomorrow can provide an initial opportunity for you to do that.

Eighteen months ago, when your predecessor was before our committee, I stated that the Secretary of State should be our Nation's secretary of peace. I made that statement then because I was concerned that President Reagan's bellicose campaign rhetoric might actually become administration policy. I repeat that statement today, because much of 1980's campaign rhetoric has become policy, and there is an urgent need to mute the drums and change the beat.

I would hope that the nominee would become our secretary of peace, and do what he can to put an end to the cold war rhetoric that often gives the impression abroad that we are preparing for war instead of working for peace. Instead of seeking out opportunities for confrontation with the Soviet Union, Cuba, and Nicaragua, I would urge you to review the bidding and see if perhaps sometimes a more conciliatory approach might not produce better results.

I would hope that in the course of the hearing, you would show special interest in the stategic arms reduction talks [START] negotiations that began last month in Geneva. Sometimes it appears

that the administration would prefer an arms race to an arms control agreement, because such a race would be economically crippling to our adversaries. Right now, the burden of proof, I think, is on us, on the United States, to demonstrate that these concerns are not valid, and I hope that you would do that.

Finally, because of your prior firm's large dealings with Saudi Arabia and other nations around the world, you may have to consider disqualifying yourself on certain issues, and would certainly have to lean over backward when you come to making certain obvious decisions. However, because you are possessed of such high character and integrity, I personally am not particularly worried on this score, and I understand that you are already in the process of drafting a formal document that is sensitive to these concerns and will specify the types of decisions potentially involving Bechtel from which you will recuse yourself, and I applaud this action.

Finally, on a personal note, as a fellow cum laude Princetonian and with an honorary degree which we both have from Princeton, I welcome you to this committee. Good luck.

The CHAIRMAN. I am going to ask that other introductory statements be incorporated into the record before the questioning, so that we can get as quickly as possible to the Secretary's testimony, but in this case, I would like to make an exception, because although the majority leader is an ex officio member of every committee in the Senate, this is the only committee on which he does serve as a full-fledged member, so at this time I would like to ask the majority leader if he has any comments.

Senator BAKER. Mr. Chairman, thank you very much, and members of the committee. I am grateful for the opportunity to add my voice to those of the distinguished chairman and the distinguished ranking minority member in terms of our optimism for the future and good service of Mr. Shultz to be Secretary of State.

First, may I congratulate you, Mr. Shultz, on this nomination to the senior position in the Cabinet of the President of the United States. You have served long and faithfully in other Cabinet positions and other positions in Government, but this clearly is your greatest challenge, and one which you will meet and discharge with great dignity and efficiency.

Next, I would congratulate President Reagan for choosing you. I believe that Secretary-designate Shultz is a man of such obvious skill and talent and such unique qualifications that his tenure as Secretary of State is certain to be a successful one and to contribute to the cause of peace and to the management of the foreign policy of this country.

Finally, Mr. Chairman, I would like to say that I have had the opportunity to speak with Mr. Shultz in the last few weeks, since the President announced his intention to nominate him to this high post. I am convinced that he will serve with distinction, that he is a good choice, that he will comport himself well in these hearings, and I trust that the committee will report his nomination favorably to the Senate, in which event I intend to ask the Senate to turn to the consideration of this nomination at the earliest possible moment.

I think to have a fully confirmed and a fully qualified Secretary of State in the President's Cabinet and sitting at his right hand in

those meetings is urgently important in any circumstance, but given the world situation as we know it today, I think it behooves the Senate to move as promptly as possible in the fulfillment of its constitutional duty to advise and to grant its consent to the nomination of a distinguished American, Mr. George Shultz, to be Secretary of State.

Thank you very much, Mr. Chairman.

The CHAIRMAN. I thank you, Senator Baker, very much, and I can assure you that we will report this nomination out very promptly. It has been my privilege in the past when George Shultz was a citizen of Illinois to present him to other committees of the Senate. Now that he is a California transplant, as President Reagan has been, from Illinois to California, two members of our committee have the distinct honor to present him. Senator Hayakawa will be first.

STATEMENT OF HON. S. I. HAYAKAWA, A U.S. SENATOR FROM CALIFORNIA

Senator HAYAKAWA. Thank you, Mr. Chairman.

Mr. Chairman, it is with great pleasure that I appear today to support the nomination of George Shultz for the position of Secretary of State. I know that he will fully justify the confidence the President has placed in him by this appointment.

Mr. Shultz has had not one but a number of distinguished careers. Two years after I left the University of Chicago to seek my fortune in the West, a young professor named George Shultz joined the Graduate School of Business at the University of Chicago. As has been typical of his success in life, 5 years later he was appointed dean. I am happy to say that Mr. Shultz has retained his ties to the academic life.

Soon thereafter, he followed me to California, and joined the Stanford University School of Business, and there he has greatly enhanced academic life in the Bay area.

Mr. Shultz was not always a Californian. As is clear, he was born in New York in 1920, and grew up in the Northeast. Despite these handicaps, he has had a distinguished career. He has served with the Marines in the Pacific in World War II, entering as a private and leaving active duty 3 years later as major. His pattern, once again, was one of success.

In 1969, following a distinguished career in industrial relations, including his first ties with Stanford University, George Shultz was appointed as Secretary of Labor, but he was in too great a demand to stay there long. He served as Director of the Office of Management and Budget, and then from 1972 to 1974 as Secretary of the Treasury.

He emerged from those long, difficult years in the early seventies with a reputation for unlimited ability and unquestioned integrity. He emerged as well with a keen understanding of international affairs and personal ties with many of the world's leaders.

During the last half-dozen years, he has enhanced his international experience as a senior officer and most recently president of the Bechtel Group, Inc., of California. It is during this period of time that I had the opportunity to get to know George personally.

He generously agreed to serve as chairman of my Advisory Committee on the Budget, which I established in 1978. The purpose of the committee was to provide me with advice regarding the budget, tax policy, and inflation. I shall always be grateful to him for his much needed assistance.

In December 1980, I wrote to President-elect Ronald Reagan urging him to appoint George Shultz as Secretary of State. The President declined graciously, but I am happy that 1½ years later he has acted on my advice.

In the stern days of World War II, Winston Churchill said:

> The only guide to a man is his conscience. The only shield to his memory is the rectitude and sincerity of his actions. It is very imprudent to walk through life without this shield, because we are so often mocked by the failure of our hopes and the upsetting of our calculation, but with this shield, however the fates may play, we march always in the ranks of honor.

Mr. Chairman, in George Shultz we have a man of such character and more. We have a man of proven ability and judgment. He appreciates the immense challenges we face. He has the wisdom and the ability to meet them. There can be no question that America, indeed the world, needs a steady hand at the post of Secretary of State.

We need not look far to see the peril of our times. The Soviets continue a massive buildup in nuclear weapons while their troops brutally repress Afghan freedom fighters. Vietnamese troops occupy Kampuchea. Polish thugs beat Polish workers. Libya spreads terrorism, and Cuba provides arms and support for radical groups in our own hemisphere. Nor need we be reminded of the unexpected and sometimes violent twists the world can take.

A new Secretary of State will face continued unrest in the South Atlantic and unabated suffering in Beirut, but we can predict the need for creative and diligent efforts to protect democracy in Central America, to ease strains in our alliances, to enhance our ties in Asia, to build peace in Southern Africa, and to bring peace and stability to the Middle East.

In short, the next Secretary of State, Mr. Chairman, will have the capacity to do much good or, if we choose unwisely, much harm. In George Shultz, the President has chosen well. Mr. Shultz is held in the highest regard in California, throughout America, and indeed in the major capitals of the world. I would be hard put to think of a man better suited to the task ahead.

I am deeply honored to present George Shultz to this committee.

The CHAIRMAN. Thank you, Senator Hayakawa.

It is now a great privilege to call upon the assistant minority leader, a distinguished member of this committee, Senator Alan Cranston.

STATEMENT OF HON. ALAN CRANSTON, A U.S. SENATOR FROM CALIFORNIA

Senator CRANSTON. Thank you, Mr. Chairman.

I am pleased to introduce to this committee a distinguished fellow Californian, George Shultz. Mr. Shultz is a man of wisdom, experience, and integrity. George Shultz has an impressive record of public service that has won him wide respect. He has served his country with distinction as Director of the Office of Management

and Budget, as Secretary of Labor, as Secretary of the Treasury, and as an adviser and aide to Presidents on foreign policy matters.

He has also had a distinguished record as an economist and as an educator.

These hearings afford the American people the opportunity to learn more about the foreign policy views of Mr. Shultz and the foreign policy course of an administration which to many has seemed to be afflicted by uncertainty and lack of coordination by competing voices and conflicting personalities.

When Alexander Haig came before this committee to be nominated to be Secretary of State, I anticipated that I would vote against him. After the hearings, I voted for him. When Eugene Rostow came before this committee nominated by President Reagan to be Director of the Arms Control and Disarmament Agency, I expected to vote for him. After he was cross-examined by Senator Claiborne Pell, I wound up voting against him.

So, while I am presently inclined to vote to confirm Mr. Shultz, I have a significant number of questions which I want to explore with him in these hearings before I form final views regarding his nomination as Secretary of State. I want to explore his views on United States-Soviet relations, strategic arms control, nuclear proliferation, the Bechtel Corp., and U.S. policy toward China and the Middle East, but I do not hesitate now to welcome him before this committee and to pay tribute to him as a respected friend and a notable public servant.

George, it is a pleasure to have you before us today. Thank you.

The CHAIRMAN. Thank you very much, Senator Cranston.

For the benefit of members of the committee and our audience, this hearing will recess at 1 p.m. We will ask everyone in the audience to remain seated until Secretary-designate Shultz, Mrs. Shultz, and their family have departed, and then we will recess until 1:45, at which time we will resume until shortly before 4 o'clock, in order that Secretary Shultz and the leadership of the Congress, the bipartisan Congress, can meet with the President at the White House on the situation in the Middle East.

We will not return from that session, but will convene again tomorrow morning at 10 o'clock. It will be the objective of the Chair with the cooperation of the membership, to complete the hearing tomorrow, so that we can move this right to the floor.

Secretary Shultz, we would be very happy to have any statement that you would care to make at this time.

STATEMENT OF SECRETARY OF STATE-DESIGNATE GEORGE P. SHULTZ

Mr. SHULTZ. Thank you, Mr. Chairman and distinguished members of this committee.

First, Mr. Chairman, I would like to take note of your opening tribute to Secretary Haig and associate myself with it. He is an outstanding public servant and deserves all of the praise and support that his country has given him over many years.

I would report that Secretary Haig told me that his counsel would be available to me at any time, and since my nomination, I have talked by telephone or in person with every living former Sec-

retary of State, and each has pledged to me the availability of his counsel and willingness to help out, and I appreciate that.

The CHAIRMAN. Secretary Shultz, I wonder if you could pull the microphone in very close to you. The people in the back of the room appear to be having trouble hearing. The microphones are directional. Thank you.

Mr. SHULTZ. President Reagan honors me by his nomination to be the Secretary of State for the United States of America. I regard service in this post as a high privilege and a grave duty. If I am confirmed by the Senate and have the opportunity to serve, I will muster whatever energy, intelligence, and dedication I possess and pour all of it into the performance of this job.

I recognize and accept the responsibilities that will be placed upon me, but I say this, too: I will need and I will expect help and cooperation all around. And judging from the many assurances already voluntarily extended to me, I will get it.

I look especially to members of this committee and your counterparts in the House of Representatives, but my appeal reaches much further, to every corner of our land and to our friends throughout the world.

President Reagan has expressed his confidence in me by making this nomination, and I will strive mightily to merit that confidence. I will do so fully conscious that the conduct of our foreign policy is, in accordance with the Constitution, a Presidential duty to be performed in collaboration with the Congress. My job is to help the President formulate and execute his policies. I shall be ever faithful to that trust.

I have appeared before a Senate committee for confirmation to a Cabinet post on two previous occasions. Thirteen years ago I was the nominee to be Secretary of Labor before the Committee on Labor and Public Welfare. Both Senators Cranston and Pell, who sit before me today, sat on that panel and voted favorably on that nomination, and I might say I hope there is room in this committee for the force of precedent and consistency. [General laughter.]

I was accompanied to that hearing by a friend of long standing and Senator from my then home State of Illinois, Senator Percy. His wise and informed counsel, in Government and out, has always been available and most helpful to me. I deeply appreciate his assurances that I have received in my meetings with him that I will continue to have that counsel.

The biographical material available to you shows that I have brought to my Government service two decades of experience in university activities, teaching, and doing research and administration at the Massachusetts Institute of Technology and, as Senator Hayakawa has noted, the University of Chicago.

After serving as the Secretary of Labor, I went on to be Director of the Office of Management and Budget and then Secretary of the Treasury. For the last 8 years I have been with Bechtel, most recently as president of Bechtel Group, Inc. Bechtel is a truly remarkable organization, astonishing in the range of its capabilities and impressive in the quality of its people, who bring integrity, intelligence, enthusiasm, and drive to their work.

I feel privileged to have played a part in Bechtel's activities. During this period I have also served part-time on the faculty of

Stanford University, from which I plan to be on leave, if the trustees grant me a leave, in the period of my Government service.

During the last few days and in introducing me here, a number of Senators have asked me to address myself to the question of my relationship to Bechtel should I become Secretary of State. To those questions I see only one possible answer: none. If I am confirmed, agreements already executed by me will result in my resignation from my officerships in all Bechtel entities. I will retire as an employee, retaining only vested rights to medical and insurance benefits and to assets already accumulated under Bechtel trust and thrift plans.

I will sell, at a price determined by an established process, all my Bechtel-related investments, and for the most part, that will happen immediately. There are only some that require a period of time to make an assessment of their value, but the date of the sale will be the date when you vote my confirmation if you do so. So it will all be done on that date.

Although I understand from counsel that these steps leave me with no legal conflict of interest, I will, if I become Secretary of State, execute a statement removing myself from any so-called "particular matter" as defined in the law involving Bechtel. In the words of my counsel, concurred in by the Office of Government Ethics, these steps "will assure your full compliance while serving as Secretary of State with the terms of" the various Federal conflict of interest laws.

I believe, Mr. Chairman, that a statment of counsel to this effect has been placed with the committee and also a draft of the recusal statement that I will sign if I am confirmed and sworn in as Secretary, and that will be appropriately signed after I am sworn in.

The CHAIRMAN. Those papers are filed with the committee. They seem to be in absolutely first class order and are available to any committee members.

Mr. SHULTZ. Well, I have had a first class counsel, Mr. Lloyd Cutler.

The CHAIRMAN. Lloyd Cutler is well known to this committee and highly respected by this committee and its membership.

Mr. SHULTZ. Mr. Chairman, for those of us who have spent the better part of our lives watching America's deepening involvement in the world around us, it is easy to forget that the United States has throughout most of its history only episodically been concerned with foreign affairs. The world of 40 or so years ago seems almost nostalgically simple in comparison to the complexities we confront today.

In the decades that have passed, scores of new nations, many with frustrated aspirations, have achieved independence. The international economy is no longer managed from a few world capitals but has developed into a global network of mutually dependent partners. Extensive trade in goods and services, the international flow of critical raw materials, the emergence of new technologies, and the revolution in communications have created a world in which no nation is immune from the influence of the international economy.

Forty years ago we could not even glimpse the enormous dangers of nuclear weapons or the complexities we would face today in our

efforts to control them. And 40 years ago few could foresee that the collapse of the old order would bring with it the spread of increasingly sophisticated military arms to new and contending nations, so that today regional conflicts carry with them the constant threat of escalation.

General Douglas MacArthur saw these broad interrelationships and put the point succinctly and eloquently as long ago as 1951: "The issues are global and so interlocked that to consider the problems of one sector oblivious to those of another is but to court disaster for the whole."

Today most Americans recognize that the nature and strength of our diplomacy and our strategic posture are linked to and heavily dependent on our performance at home. Our economy, despite current rough water, is fundamentally strong and will strengthen further as economic policies now in place and in prospect take hold. A strong and productive America makes us a strong trading partner and a resourceful ally, giving to our friends a confidence that strengthens their will to resist those who would deprive us of our freedoms.

Today most Americans are uncomfortable with the fact that we spend so much of our substance on defense, and rightly so, and yet most Americans also recognize that we must deal with reality as we find it, and that reality in its simplest terms is an uncertain world in which peace and security can be assured only if we have the strength and will to preserve them.

We have passed through a decade during which the Soviet Union expanded its military capability at a steady and rapid rate while we stood still. President Reagan has given us the leadership to turn that situation around, and just in time.

The past decade taught us once again an important lesson about United States-Soviet relations. In brief, it is that diminished American strength and resolve are an open invitation for Soviet expansion into areas of critical interest to the West and provide no incentive for moderation in the Soviet military buildup. Thus it is critical to the overall success of our foreign policy that we persevere in the restoration of our strength; but it is also true that the willingness to negotiate from that strength is a fundamental element of strength itself.

The President has put forward arms control proposals in the strategic theater and conventional arms areas that are genuinely bold and that will, if accepted, reduce the burdens and the dangers of armaments. Let no one doubt the seriousness of our purpose, but let no one believe that we will seek agreement for its own sake without a balanced and constructive outcome.

We recognize that an approach to the Soviet Union limited to the military dimension will not satisfy the American people. Our efforts in the area of arms reduction are inevitably linked to restraint in many dimensions of Soviet behavior, and as we enter a potentially critical period of transition in Soviet leadership, we must also make it clear that we are prepared to establish mutually beneficial and safer relationships on the basis of reciprocity.

Today most Americans recognize that a steady and coherent involvement by the United States in the affairs of the world is a necessary condition for peace and prosperity. Over and over again

since the close of the World War, the United States has been the global power to whom others have turned for help, whether it be to assist in the process of economic development or in finding peaceful solutions to conflicts.

Our help continues, as in President Reagan's Caribbean Basin Initiative, an example of America's commitment to a more prosperous world. I would say, Mr. Chairman, this is a commitment on which we must deliver. It must be an example as well of the key role in economic development of private markets and private enterprise.

As the President said in his address in Cancun:

> History demonstrates that time and again, in place after place, economic growth and human progress make their greatest strides in countries that encourage economic freedom. Individual farmers, laborers, owners, traders, and managers—they are the heart and soul of development. Trust them. Because whenever they are allowed to create and build, whenever they are given a personal stake in deciding economic policies and benefitting from their success, then societies become more dynamic, prosperous, progressive, and free.

In our international endeavors we are strengthened by a structure of alliances that is of central importance. Ours is not a hegemonic world but a diverse and pluralistic one, reflecting the complexity of the free, independent, and democratic societies with which we are associated.

Just as we expect others to work in partnership with us, so we must conduct ourselves as a responsible partner. Frictions and differences are inevitable among allies, and we can never assume complacently that they will automatically disappear. Tolerance of the needs and perspectives of others. So is candid recognition of our difficulties and challenges.

Above all, there has to be a commitment to the common values and interests on which the truly unique multilateral institutions of the last three and a half decades have been based. Our commitment is firm, as President Reagan made clear during his recent European trip. I am confident that the same is true of our allies.

Mr. Chairman, if we are strong, we buttress our allies and friends and leave our adversaries in no doubt about the consequences of aggression. If we provide assistance to help others to be strong, our own strength can be husbanded and brought to bear more effectively. If we are confident, we give confidence to those who seek to resolve disputes peacefully. If we are engaged, we give hope to those who otherwise would have no hope. If we live by our ideals, we can argue their merit to others with confidence and conviction.

Mr. Chairman, during my individual visits with members of this committee, many expressed a strong interest in my views on problems and opportunities in the Middle East, particularly as related to the conflict between Israel and the Arabs. Responsive to this interest but even more to the importance of developments in this area, I will conclude my statement today by a brief discussion of my views.

I start with the terrible human tragedy now taking place in Lebanon. Violence on a large scale has come once again to a region whose strategic importance inevitably guarantees that any local

conflict will receive global attention, with all the dangers for world peace that implies.

In late 1974 I visited Beirut, at the time a beautiful and thriving city, even then marked, however, by the presence of Palestinian refugees. But since then, Lebanon has been wracked by destruction, enduring the presence of armed and assertive PLO and other forces. Coherent life and government are impossible under these conditions, and inevitably Lebanon became a state in disrepair. The Lebanese deserve a chance to govern themselves, free from the presence of the armed forces of any other country or group. The authority of the Government of Lebanon must extend to all its territory.

The agony of Lebanon is on the minds and in the hearts of us all, but in a larger sense, Lebanon is but the latest chapter in a history of accumulated grief stretching back through decades of conflict. We are talking here about a part of the globe that has had little genuine peace for generations, a region with thousands of victims, Arab, Israeli and other families torn apart as a consequence of war and terror.

What is going on now in Lebanon must mark the end of this cycle of terror rather than simply the latest in a continuing series of senseless and violent acts. We cannot accept the loss of life brought home to us every day, even at this great distance, on our television screens; but at the same time, we can as Americans be proud that once again it is the United States, working most prominently through President Reagan's emissary, Ambassador Philip Habib, in my judgment a genuine hero, that is attempting to still the guns, achieve an equitable outcome and alleviate the suffering.

Mr. Chairman, the crisis in Lebanon makes painfully and totally clear a central reality of the Middle East: the legitimate needs and problems of the Palestinian people must be addressed and resolved, urgently and in all their dimensions. Beyond the suffering of the Palestinian people lies a complex of political problems which must be addressed if the Middle East is to know peace.

The Camp David framework calls as a first step for temporary arrangements which will provide full autonomy for the Palestinians of the West Bank and Gaza. That same framework then speaks eloquently and significantly of a solution that must also recognize the legitimate rights of the Palestinian people.

The challenge of the negotiations in which the United States is, and during my tenure will remain, a full partner is to transform that hope into reality. For these talks to succeed, representatives of the Palestinians themselves must participate in the negotiating process. The basis must also be found for other countries in the region in addition to Israel and Egypt to join in the peace process.

Our determined effort to stop the killing in Lebanon, resolve the conflict and make the Government of Lebanon once again sovereign throughout its territory underscores the degree to which our Nation has vital interests throughout the Arab world. Our friendly relations with the great majority of Arab States have served those interests and, I believe, assisted our efforts to deal with the current Lebanon crisis.

But beyond the issues of the moment, the importance to our own security of wide and diverse strengthening ties with the Arabs is

manifest. It is from them that the West gets much of its oil. It is with them that we share an interest and must cooperate in resisting Soviet imperialism. It is with them as well as Israel that we will be able to bring peace to the Middle East.

The brilliant Arab heritage of science, culture, and thought has a fresh dynamism. Working together with us, our Arab friends can contribute much, not only to our bilateral interests and those of the region but to the global future and the world economy as well. I will do all in my power to sustain these relationships and to further them.

Finally and most important, Mr. Chairman, the Lebanese situation is intimately linked to the vital question of Israel's security. Israel, our closest friend in the Middle East, still harbors a deep feeling of insecurity. In a region where hostility is endemic and where so much of it is directed against Israel, the rightness of her preoccupation with matters of security cannot be disputed, nor should anyone dispute the depth and durability of America's commitment to the security of Israel or our readiness to assure that Israel has the necessary means to defend herself.

I share in this deep and enduring commitment, and more. I recognize that democratic Israel shares with us a deep commitment to the security of the West. Beyond that, however, we owe it to Israel in the context of our special relationship to work with her to bring about a comprehensive peace acceptable to all the parties involved, which is the only sure guarantee of true and durable security.

America has many often competing concerns and interests in the Middle East. It is no secret that they present us with dilemmas and difficult decisions. Yet we must, using all the wit and compassion we possess, reconcile those interests and erase those contradictions, for it is in the last analysis peace we are seeking to create and nurture.

Today's violence should not cause us to forget that the Middle East is a land of deep spirituality where three great religions of our time were born and come together even today. Some have suggested that it was only natural in a land of such vast, harsh and open space that men should be drawn toward the heavens and toward the larger sense of life's meaning. Whatever the reasons, the force of religion in this region is as powerful today as ever, and our plans for peace will be profoundly incomplete if they ignore this reality.

Let me close by recalling to you President Reagan's definition of America's duty in this region. "Our diplomacy," he said, must be sensitive to the legitimate concerns of all in the area. Before a negotiated peace can ever hope to command the loyalty of the whole region, it must be acceptable to Israelis and Arabs alike.

Mr. Chairman, I pledge to you and this committee that if I am confirmed as Secretary of State, I will do my best to help the President carry out the task so clearly defined in his statement. We must dare to hope that with effort and imagination, we can arrive at an agreement that will satisfy the vital security interests of Israel and the political aspirations of the Palestinians, meet the concerns of other parties directly involved, and win the endorsement of the international community.

Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Shultz, we thank you for an outstanding and truly significant statement.

I believe that if we stay with the 10-minute rule and carefully observe it, we will be able to have at least a first round of questioning for every Senator here this morning.

First, because you have placed such important emphasis on the Middle East and have indicated quite rightly that the world is looking to the United States for leadership to resolve this dilemma, would you say that this is certainly one of the highest priorities in the Reagan administration and will be one of the highest priorities as Secretary of State to resolve that problem and bring peace to that area?

Mr. SHULTZ. Yes; it certainly must receive very high priority attention.

The CHAIRMAN. Mr. Shultz, the President has indicated that he is considering the introduction of American troops, up to 1,000 troops into Lebanon in order to facilitate the withdrawal of PLO contestants and to assist the Lebanese Government to reassert its authority over Beirut. He has put a limitation of 30 days on those troops remaining in Lebanon.

How long do you believe it will take to remove the PLO from Beirut, and where are they most likely to go?

Mr. SHULTZ. It remains to be seen how long it will take. The 30-day estimate is one that I have seen, and that seems like a reasonable estimate. Obviously it depends somewhat on whether they move by sea or by land and where they go. One of the problems right now, as I have followed these events—and I say to the committee I have not been in the decision loop but I have been trying to get up to speed and hear what is going on—but one of the problems is that it is not certain where the PLO will go. No country seems too anxious to have the PLO fighters in their country, and I would have to conclude there is a message there. But as yet, that, as I understand it, is one of the unresolved issues.

The CHAIRMAN. I look upon Syria as probably the most likely place.

Is Syria an acceptable location so far as most of the parties are concerned who are deeply involved in this?

Mr. SHULTZ. Yes, I believe so, although Syria has lately expressed some reservations, I gather.

The CHAIRMAN. I was encouraged, on my most recent trip to Lebanon, in contrast with a previous visit to Lebanon, that there has been a degree of reconciliation between Christian and Muslim forces there.

Is the Lebanese Army, in your judgment, going to be capable of reasserting authority over East and West Beirut, and have the local Christian and Muslim militias agreed to the deployment of American and Lebanese troops? Have we received an official request from the Government of Lebanon, which I believe would be a necessary pre-condition before we could consider sending forces there?

Mr. SHULTZ. Well, I understand we have, but for this purpose of evacuating the PLO fighters from Beirut. That is the purpose, as I understand it, of any use of U.S. forces, along with forces of other countries.

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The CHAIRMAN. There has been some public discussion that the administration may consider using Section 4(a)(2) of the War Powers Act rather than section 4(a)(1). The difference would mean that there would be no time limitation placed on troops going into Lebanon.

I have expressed my personal judgment that it would be best to act pursuant to section 4(a)(1). Members of this committee met yesterday with Secretary Stoessel and a majority of those present felt that it would be best to proceed under section 4(a)(1).

Do you know whether the administration has made a determination as to which provision will be applied if troops are sent to Lebanon?

Mr. SHULTZ. I believe, Mr. Chairman, that that is a question the President will have to resolve when and if he makes the decision to use our troops for that purpose, and there has been a good amount of discussion of the distinction between these cases, and he is certainly well aware and wants to be aware of the views of the committee.

But it is his decision to make, and in the light of the circumstances at the time, I am sure he will make the appropriate decision.

The CHAIRMAN. The War Powers Act does call for consultation.

Mr. SHULTZ. Yes, indeed.

The CHAIRMAN. And we are very grateful that we will have that consultation this afternoon with the President.

The President is required by law to promptly report to the Congress whether American law governing the use of American weapons has been violated by any country using those weapons. The question now is certainly pertinent as to whether or not—and many Senators and members of this committee have put that question directly to the administration over the past months now, as to whether or not Israel has violated the law in its invasion of Lebanon.

Can you give the committee some idea as to when we will receive that report from the administration? I had an informal opinion that it may be up this week.

Mr. SHULTZ. I know that the subject is being worked on. Again, I have not been in the decision loop. I can assure you, Mr. Chairman, that if I am confirmed and become Secretary of State, that I will work promptly on that.

The CHAIRMAN. Thank you very much.

When Prime Minister Begin was here, both in a private meeting with him and then in the meeting with other Senators, we asked the question about the use of cluster bombs against civilian personnel.

Prime Minister Begin said that the use of such weapons against civilians is abhorrent to him. We requested a prompt report from him as to whether in fact they had been used, and if so, why and under what circumstances.

I understand the administration has also made such a request to the Prime Minister. The request is several weeks old now.

Has the administration received a report from Israel on this, and if not, what are we doing to see that we do get a report? Also, what can you tell this committee about such usage?

Mr. SHULTZ. Obviously it is a very important problem and connected to the tragedy of Lebanon. As I understand it, the understanding has to do with the use of cluster bombs in areas where civilians might be affected, even though there might be a military objective there. That is my understanding of the way the understanding is set up.

I know that there is evidence being collected and reviewed, and again, just what the status of that exactly is I cannot say, but I can say that I will look into that diligently if I become Secretary of State.

The CHAIRMAN. Thank you.

As you know, I have just completed visiting 102 Illinois counties since my last election. This last recess I visited 12 counties, many of them rural, agricultural communities. Everyplace we went, every farm we were on, every group of farmers we met with, Farm Bureau and others, every town meeting we were in, we were beseiged with questions about the huge surplus of grain we have. What are we going to do with it? How are we going to move it?

The Government is spending $10 billion this year to buy American grain and store it, and then pay rent on it, when we have huge markets out there.

In the early seventies you were very instrumental and effective in negotiations that eventually led to grain agreements. We have had a 5-year grain agreement with the Soviet Union. I understand the administration intends this week to make a decision, possibly, as to whether we will extend, expand or eliminate the long-term grain agreement.

What are your own thoughts on the effectiveness of using grain as an economic weapon, and do you feel that the original agreement has served its purpose and should be extended?

Mr. SHULTZ. Mr. Chairman, first of all I would say I would much rather have the problem of dealing with the bountiful surplus that our form of economic organization and our farmers produce in this country than I would have the problem faced by the Soviet Union of year after year of inability to feed themselves. So that would be my first comment. And I am sure that we must be cognizant and supportive of our farmers and their long-term interests in the markets that they seek.

I know that the President is considering this, and should I become Secretary, I will weigh in my part. I am very keenly aware of the surpluses and of the importance of this issue.

I would say this in terms of my own thinking. Negotiations on a new long-term agreement were suspended, as I understand it, as one of the responses we made to show our abhorrence of what was going on in Poland. Things have not changed in Poland. So at least in my opinion this would hardly be the time to negotiate a truly long-term grain agreement.

The CHAIRMAN. But all over Illinois, as I campaigned with him, Governor Reagan denounced the grain embargo as ineffective. It was a unilateral embargo. It only hurt us, not the Soviets. He said he would remove that embargo. He has removed it.

Would it not be wise for us to at least continue this policy and demonstrate to the world that this system does work? We are getting hard currency from the Soviet Union and yet we are becoming

a line of last resort, a supplier of last resort rather than the earlier, preferred position that we used to have. We are being regarded by some as an unstable supplier.

Should we not take into account our own economic strength as very important and move aggressively in the direction of selling this grain rather than storing it at public expense?

Mr. SHULTZ. Well, as you noted, Mr. Chairman, the President is——

The CHAIRMAN. May I say this? The President has said he will not impose an embargo. Secretary Haig reaffirmed that there will be no grain embargo. If you were Secretary of State, what would your recommendation then be to the President with respect to maintaining the consistency of that policy?

Mr. SHULTZ. I do not wish to say anything here that in any sense prejudges the President's decision. I will weigh in, if I am Secretary, with my views, but I have stated here that I think that to take this time to negotiate a long-term agreement in the light of the fact of the Polish repression, and lift that sanction, would be a mistake, would give the wrong signal.

But that still leaves open many options that will provide for sales of grain.

The CHAIRMAN. I thank you, and I can assure you that representing the largest Polish constituency in the United States, 1 million Polish Americans, I am deeply concerned about anything we can do to remove that repression. But we have found that unilateral action sometimes is like kicking ourselves in the shin or shooting ourselves in the foot.

Senator Pell.

Senator PELL. Thank you, Mr. Chairman.

Following up on the questions of our chairman with regard to economic sanctions, there was an article in the Washington Post recently by Murrey Marder in which he quoted a State Department official as saying that you as Secretary of State would confront a monstrous problem resolving a dispute within your administration as to whether trade sanctions directed against the Soviet Union are an effective political instrument. I ask unanimous consent that Mr. Marder's article and a related one by Mr. Robert D. Schmidt in the June/July 1982 "East-West Outlook" be printed in the record at this point.

[From the Washington Post, July 5, 1982]

SHULTZ TO INHERIT "MONSTROUS PROBLEM" OVER SOVIET GAS PIPELINE

(By Murrey Marder)

President Reagan's insistence that a ban on American-licensed equipment for the Soviet-European natural gas pipeline is "a matter of principle" poses a formidable task for trans-Atlantic diplomatic ingenuity, and for the vaunted mediating abilities of his newly chosen secretary of state.

The outcries from the western European allies have been loud and angry, and the prestige of every major leader in the western alliance is now publicly impaled on this escalating dispute. Diplomats on both sides of the Atlantic are driven to find an elusive compromise, save an extraordinary amount of face and avoid shattering the western alliance.

George P. Shultz, designated successor to Alexander M. Haig Jr., inherits a central American role in grappling with what a senior State Department official described last week as a "monstrous problem."

Inside the Reagan administration, there is reported agreement at the Cabinet level to seek urgent "damage limitation" talks with Western European policy makers while attempts to resolve the dispute are under way.

Reagan left himself in a vulnerable position Wednesday by claiming that his administration "largely eliminated" the "disarray with our European allies" inherited from the Carter administration. The next day British Prime Minister Margaret Thatcher, Reagan's strongest supporter in the western alliance, confounded his claim by telling the House of Commons that "it is wrong" for "one very powerful nation" to try to prevent the fulfillment of "existing contracts" in the pipeline uproar. The Europeans are now mounting legal challenges against the American sanctions, and the arguments already extend beyond equipment for the Siberian pipeline to disputes over new American duties on European steel exports to the United States, to tax subsidies for foreign subsidiaries of American corporations and to other trade-related controversies.

"It may be premature and exaggerated to talk in terms of a 'trade war,'" British Minister for Trade Peter Reese said in New York last week before pressing the British case with officials in Washington, "yet the danger of a series of measures and countermeasures—tit for tat—must be obvious to all."

Talk of a trade war among the western allies is a reversal of the original argument over East-West trade sanctions. West German Chancellor Helmut Schmidt and French President Francois Mitterrand warned last month that they will not join in a "trade war" with the Soviet Union, which they said would lead back to the era of Cold War. The United States denied that was its intention.

Nevertheless, the allied clash is more about ideology and East-West strategy than about pure economics, and the debate runs through the Reagan administration as much as it does through the western alliance.

A major American casualty in the dispute was departing Secretary of State Haig, who led and lost the argument inside the administration over imposing the pipeline sanctions.

Haig argued that Western Europe would reject overt economic pressure on the Soviet Union, opening a breach in allied ranks that could undercut all U.S. strategy for putting pressure on the Soviet Union to curb its buildup of military power.

His successor, Shultz, is noted for skill as a mediator, from his experience as secretary of labor, director of the Office of Management and Budget and ultimately secretary of the treasury in the Nixon administration. It will be several weeks, however, before Shultz goes through confirmation hearings, takes office and can begin to apply his negotiating talents to the trade dispute.

In the meantime, some Reagan administration officials are drawing encouragement from the European Economic Community's agreement last week to raise interest rates on financing western exports to the Soviet Union. The Reagan administration campaigned earlier for a curb on government-subsidized trade credits for the Soviet Union. That misled Western Europeans into believing that the United States, in turn, would drop its demands for sanctions on equipment for the 3,700-mile pipeline between the Soviet Union and Western Europe.

Some U.S. officials privately talk of ending the dispute by trading the pipeline sanctions for further restrictions on on Soviet credits. Others, determined to exert maxium pressure on the Soviet Union, adamantly reject such a bargain.

The hard-liners insist that the only route open for lifting the pipeline sanctions is the easing of Soviet-supported repression in Poland. That was President Reagan's declared reason on June 18 for imposing the broadened ban on American-built or American-licensed pipeline equipment produced abroad.

Many administration officals concede privately, however, that the Polish situation was not the overriding reason for the pipeline sanctions. Rather, they say, it was the President's determination to inflict economic penalties on the Soviet Union. At his news conference Wednesday night, Reagan gave both rationales for his decision.

He said one purpose was to tighten the trade embargo on the Soviet Union until there is relief for its support of "the oppression that is going on of the people of Poland by their military government." The "second thing," he said, is that the Soviet Union "is very hard-pressed financially and economically today."

Its "massive military buildup," he said, will benefit from "$10–$12 billion a year in hard cash payments" which the Kremlin would obtain from natural gas delivered to Western Europe in the pipeline.

The Western European governments contend that the pipeline will be built in any case, and reject the argument that trade can be used as an effective weapon to constrain Soviet expenditures on its vital security interests. Many U.S. experts agree, but American officials are deeply divided on this issue. As Haig's resignation and

the President's decision clearly illustrated, the predominant weight inside the Reagan administration is on the pro-sanctions side.

White House national security adviser William P. Clark has stated that it is administration policy to "force our principal adversary, the Soviet Union, to bear the brunt of its economic shortcomings." Defense Secretary Caspar W. Weinberger, Haig's principal antagonist on this subject and many others, was the first to enunciate that policy in the earliest days of the administration.

The argument is bound to recur in any effort to reach a compromise on this issue with Western European governments. Furthermore, any improvement in the situation in Poland could provide a rationale for a change in the American position. There is therefore high interest in Washington and throughout the Atlantic alliance in the attitude and compromise skills that Shultz will bring into the bruising debate.

There are several parallels in the Haig and Shultz positions. According to Haig's associates, his dominant reason for reproaching the administration in his resignation for a lack of "consistency, clarity, and steadiness of purpose," was his complaint over shifting U.S. positions on sanctions against the Soviet Union.

Shultz has been committed for years to the need for consistency in American policy abroad. In his last major public address, in London in October 1981, Shultz stressed the need for "giving confidence to ourselves and our partners in the predictability of our behavior and the consistency of our purpose."

Shultz is also on record as a long-standing opponent of the use of trade as a political weapon. In the early 1970's, as an advocate of detente in the Nixon administration and a strong supporter of Henry A. Kissinger's strategy, Shultz opposed the use of trade sanctions to exert pressure on the Soviet Union to relax its emigration restrictions.

As a champion of broader American-Soviet trade, Shultz twice went to Moscow as treasury secretary in attempts to resolve the emigration dispute with Soviet leader Leonid Brezhnev. Those efforts were blocked by congressional insistence on imposing a trade-emigration link in the 1974 U.S. Trade Act.

Kissinger, however, has since concluded that the use of trade to influence Soviet global behavior was doomed to fail. Shultz may have reached the same conclusion. Shultz presumably accepts the policy of the administration he is entering, an administration that scorns what it calls the "illusion of detente" and openly invokes trade as leverage against the Soviet Union. His specific views on trade sanctions as a weapon, however, are unknown, even among many former associates.

As secretary of state, Shultz will be in an entirely different relationship with Haig's chief opponent in the administration, Weinberger. Weinberger was a subordinate of Shultz in government during the Nixon years, and later served under Shultz in the powerful Bechtel engineering and construction conglomerate, which Shultz headed as president until last month.

When Shultz directed OMB, Weinberger was his deputy and then his successor after Shultz went to the treasury. Shultz left the government in 1974 to join the Bechtel Group, where he became president in 1975; Weinberger joined Bechtel that year as a vice president.

An intriguing question inside the bureaucracy, therefore, is whether the Shultz-Weinberger friendship will transcend the normal State-Defense competition on many issues of government policy, including the present deep disagreement between the two departments on trade sanctions aimed at the Soviet Union.

[From the East/West Outlook, June/July 1982]

Trade and National Security

(By Robert D. Schmidt)

Mr. Schmidt is Vice Chairman of the Board of Control Data Corp. He is also President of the American Committee on East-West Accord. Mr. Schmidt delivered these remarks to the Annual Meeting of the American Committee.

I must presume that all of us here today share a common desire—the desire to exist. I must presume that other people in the world share this desire in common with us, and I must presume that the Soviets, too, share this will to live.

Given that common desire, what can we do to reduce the *risks* that all of us share—the risks to the continuance of society—the risks that 5,000 years of striving for a better world will end with a finger on a button?

Certainly, our present attitude toward the Soviet Union considerably enhances the risk of mutual annihilation.

I would not be so simplistic as to argue that a restoration of trade with the Russians could eliminate that risk. But I do argue that trade, and the increased opportunities for communication that go with trade and a growing interdependence will substantially reduce the risk.

It may give us time to realize that while irreconcilable differences in ideology separate the West from the East, we can each at least learn to tolerate the other's right to share this planet Earth.

Ostensibly, our trade with the Soviets is governed by the Export Administration Act of 1969, last amended in 1979.

In enacting the Export Administration Act of 1979, the 96th Congress stated that "It is the policy of the United States to minimize uncertainties in the export control policy and to encourage trade with all countries with which the United States has diplomatic or trading relations, except those countries with which such trade has been determined by the President to be against the national interest . . . and it is the policy of the United States to use export controls only after full consideration of the impact on the economy and only to the extent necessary to restrict export of goods and technologies which would make a significant contribution to the *military potential* of any other country or combination of countries which *could prove detrimental to the national security.*"

That was the expressed will of Congress.

I do not believe it was the intent of Congress that the Export Act should become a major instrument of foreign policy designed to bring the Soviets to their knees.

Yet, it seems that the intent of the present Administration is to do just that.

The Military Critical Technologies List of nonexportable products and technologies has grown so long that it looks like the Washington Yellow Pages. But we aren't stopping there. The Departments of Commerce and Defense are shutting off trade in anything that might conceivably contribute to Soviet industrial progress and energy production. Added to the embargoed goods and technologies are, among others, oil and gas production and transmission equipment, chemicals, metallurgy and transportation.

We have, in essence, declared economic war.

Before it is too late, we should stop and ask ourselves: is it really in our best interests to declare economic war on the Soviet Union?

Does the Administration seriously think that our allies in the Atlantic Pact will go along with such a policy? To them, trade with the Soviet Union is far more vital to their economic well-being than it is to the United States.

Won't we, by further isolating the Soviets from the mainstream of world commerce, increase the risks of global war?

And, as if the increased threat of war were not enough—our trade policies are depriving American industry of the right to compete in world markets, and costing us thousands of badly needed jobs. By default, we are handing our share of the Soviet market to Japan and our western allies—and then asking them to forego along with us the opportunity to trade.

If such a policy could reduce the Soviet military threat, perhaps the sacrifices might be worth it. But our policy will not reduce the Soviet military threat one iota. The Soviets have demonstrated that by whatever means they find necessary—covert or overt acquisition, or by indigenous development—they will get what they need.

CAN WE AFFORD IT?

With the demands being made on our economy by huge increases in spending for defense, we cannot afford to make curtailment of non-military trade a national policy. In 1970 the U.S. share of world exports was 15.7 percent. In 1981 world exports were 1,800 billion. Of this number, U.S. export were 234 billion or 13 percent of the world total. If we had maintained our market share, U.S. export would have been 270 billion or 36 billion more. This margin would, for instance, have been more than adequate to cover our increased defense spending.

In our efforts to protect our militarily critical technology—which I fully agree we should do—we are making the U.S. an unreliable supplier in world markets. A validated export license is now required to ship many products to our western allies. Additionally, we require that the western recipient agree to not re-export the product without U.S. Government permission. The need to obtain an export license and our claim to extraterritorial privileges adds delays and uncertainties to the process. Why should western nations bother, when they can freely trade among themselves or with the COMECON countries.

Somehow, we need to develop a balanced perspective of the relationship of military security with the right to trade. Trade and security are not mutually incompatible unless we continue to make them so.

A PROPOSAL

The American Committee on East-West Accord supports increased trade with the Soviet Union.

Let me propose then a four-point plan that will restore our trade with the Soviets without increasing the military risk to our continued survival.

Point One: *Carry out the intent of the Export Administration Act of 1979.* Recognize that the world trade is a *right*—not a privilege for American industry. Control only that technology that maintains our leadership (which may be only two or three years) while concentrating on the research and development of newer technology. Our government should analyze the lead time that our advanced technology has over that which is available from foreign sources. Set the limit of controls equal to, but not greater than, the technology that is widely available and would not contribute significantly to an adversary's military weapons systems.

Point Two: *Don't adopt unilateral restrictions* that deprive the Soviet Union of nothing, but give unfair competitive advantages to our allies. Unilateral controls, in the face of widely available products or technologies, serve only to weaken the U.S. industrial base and deprive American workers of thousands of jobs.

Point Three: *Reduce political tensions* by treating the Soviets as we do the majority of nations. Repeal, or at least modify, the Jackson-Vanik Amendment to the Trade Act of 1974. Repeal the Stevenson Amendment to the Export-Import Bank Act. Both amendments serve only to exacerbate our relations with the Soviets.

While it may seem moot to discuss these restrictions in the light of an almost total absence of U.S.-Soviet trade, the American Committee continues to feel strongly that such unwarranted barriers to free trade should be eliminated.

The Jackson-Vanik Amendment was a well-intentioned effort to tie the granting of most-favored-nation status to freedom of emigration from the Soviet Union. In practice, it had the opposite effect of that which was intended. Jewish emigration from the Soviet Union dropped from a high of 34,500 to a current rate that is less than a third of what it was before enactment of the Jackson-Vanik Amendment. We should have more wisdom than to attempt to legislate from without the internal affairs of a proud and sovereign nation.

The Stevenson Amendment severely limited the amount of Export-Import Bank credits to the Soviet Union, giving the Soviets another reason to abrogate the 1972 trade agreement.

Such linkages of economic issues with political concerns serve only to strengthen the will of the nation that is the target of our displeasure.

Point Four: *Use export control to protect national security*—not as a political weapon. Unless the U.S. can persuade all other sources of supply to join in an embargo, the embargo is ineffective and simply penalizes the American farmer or businessman.

The export control policy I have outlined is, I believe, a realistic one that would restore to American business the right to trade while protecting our lead by controlling the export of goods and technologies that we consider to be militarily critical. Moreover, by granting the Soviet Union the same rights to trade with us as we have given to most other nations, we would do much to relieve the political tensions.

Senator PELL. You know better than I from your last trip to Europe how the Europeans feel about our saying that they cannot help with the pipeline while we go ahead and sell wheat.

To be specific, do you view trade sanctions against the Soviet Union as effective in lessening the Soviet pressure on Poland or on Afghanistan or in promoting liberalized emigration policies?

Has it had any result, in your view?

Mr. SHULTZ. As a general proposition, Senator, I think the use of trade sanctions as an instrument of diplomacy is a bad idea. I do not think it has—we just are using it here, there and elsewhere to try to affect some other country's behavior. It basically has not worked and has led us into a situation where our own trade is damaged and in its use it becomes a wasting asset. And I have

written about that, and I think in the documents that I filed with the committee, the article that I wrote on that is represented.

Senator PELL. And it would go against the laissez faire economic doctrines of your administration, too.

Mr. SHULTZ. However, let me go on to say that given my belief in the general proposition that the use of trade as a diplomatic weapon is not a good idea, I can readily conceive of situations where overriding considerations would lead you to do so, and I can fully support and understand the President's decision to apply sanctions, as he has, in the light of the terrible things that have been done in Poland, and to express ourselves in that regard.

Now, it is said on the one hand that these sanctions hurt us, and it is true, they do. And to a degree, I think that shows our seriousness of purpose. It shows that we really mean it, we care. It is sometimes said that these sanctions have no effect. I would not say that. And I find it a little peculiar that many people who say they have no effect at the same time are screaming bloody murder about their use. If they really did not have any effect and did not bother anybody, I do not expect that we would hear all the complaints that we are hearing.

So I think they are having some effect, all right, and at least they are calling attention to the fact that the President, the American people are deeply concerned about the way the Polish people are being treated, and very much want to see that situation change.

Senator PELL. Is it not a question of the degree of hurt and who is getting hurt? Do you specifically believe the recent administration restrictions on the export, direct and indirect, of the pipeline equipment and technologies hurt the Soviet Union more than it has hurt the NATO alliance?

Mr. SHULTZ. I think it is a proper decision that the President has made, and I fully support it for the reasons that I have outlined in the previous answer.

Senator PELL. Do you think that the balance of hurt is greater on them than on us, on our side, in your view?

Mr. SHULTZ. It is hard to know what a balance is. It obviously has a bad effect on some of our suppliers, and it is causing us difficulty in Europe. Everybody knows that. I think that it is making a point, and making a very important point, and I do not know how you weigh all of these things in the balance, but to me the making of that point and registering it as a strong matter of principle is extremely important.

Senator PELL. Robert Schmidt, who is president of the American Committee on East-West Accord and an industrialist, said we have in essence declared economic war. Before it is too late, we should stop and ask ourselves whether it is in our best interest to declare economic war on the Soviet Union. Does the administration seriously think that our allies in the Atlantic alliance will go along with such a policy?

Will not the further isolation of the Soviets from the mainstream of world commerce increase the risks of global war?

I would think that this view would be very sympathetic to your own views, to the viewpoint of your own economic background.

What would be your reaction?

Mr. SHULTZ. I do not think that we are declaring economic war on anybody, but we are registering our view about Soviet behavior, and it seems to me we must be realistic about what is going on and register that view and nurture our strength and be clear about that.

Now, that does not mean for a minute that we want to have an economic war or whatever. We, as I said in my statement, should hold ourselves ready for a more mutually beneficial relationship, but not until we see some responses from the Soviet Union.

Senator PELL. Thank you.

Changing the subject to the question of nuclear war and nuclear freeze, we used to have a Secretary of War. We do not anymore. There now is a Secretary of Defense, there are Secretaries for the separate services. You are de facto, I guess, Secretary of Peace. And in that regard, and in connection with the START negotiations, I would be very interested in your views as to how they can be helped along.

Some of us think that the people, the cast of characters that are at the top of them, General Rowny, Mr. Nitze, Mr. Rostow, are not noted for their arms control views, and it would seem to me that it is going to take a considerable effort on your part to push those negotiations along, or do you see yourself doing that?

Mr. SHULTZ. I certainly do, but I would say beyond that that I have known Mr. Rostow for a number of years, I have met with him before he left for Geneva 2 days ago. I had a long discussion with him.

I know, although not well, Mr. Nitze, but an outstanding American, very knowledgeable, as is General Rowny. I could not imagine people who are more professional and more knowledgeable in this area, and I believe also toughminded. And it seems to me that what we want to project into these negotiations is the notion that the people there are highly professional and knowledgeable, nobody is going to pull the wool over their eyes. They are toughminded. And, as I tried to put it in my statement, that no one should doubt our seriousness of purpose, but also no one should think that we are going to get in a position where for the sake of an agreement we will agree to something that is not in our interest. We only want an agreement if it is a constructive and balanced agreement. And I believe that our negotiators will carry that out, and that would certainly be my attitude.

Senator PELL. I would agree with you that our negotiators are certainly toughminded and knowledgeable. My point was they are not noted for being strong supporters of arms control, and this is where I think a certain amount of pressure has to be exerted.

In connection with the freeze resolution, I believe I was the first Senator to support the American Friends Service Committee's proposal for a nuclear freeze.

Why do you or the administration consider it harmful to American national interests?

Mr. SHULTZ. I will just have to give my opinion about it, Senator, which is, first of all, that I think anyone can understand and feel personally why the existence and even the slender threat of use of nuclear weapons is so bothersome to everybody. It is a menace that our society has inherited, and we want to do something about it.

But as I have thought about it, it seems to me that a freeze is a bad idea, fundamentally because a freeze is the enemy of a reduction. And what the President has proposed is a reduction. That is where we want to go. If we agree to a freeze of the current situation, we take away any incentive that the Soviet Union has to engage in negotiations for reductions. That is the fundamental point.

Senator PELL. As you know, of the two superpowers, we are the one whose policy is most openly based on the idea of first use of nuclear weapons in the event of a reversal in a conventional war. Now, in this regard, if you subtract the Eastern European forces, the Warsaw Pact forces, upon whom the Soviets would have a tough time depending, and make some allowance for the Soviet forces on the Chinese frontier, you find that the NATO forces, not including the United States, would outnumber the Soviets.

Why do we have this defeatist idea that we must resort to nuclear weapons in order to defend Central Europe?

Mr. SHULTZ. You mentioned this factual situation to me when we had our individual discussion.

Senator PELL. Yes.

Mr. SHULTZ. And so I checked on it, and the numbers that I see on the balance of conventional forces are different from what you have said and show that on the whole there is a preponderant number, preponderance in Soviet troops or Warsaw Pact troops, in various forms of heavy military equipment such as tanks, and so this notion of an imbalance I think is there, as I have seen those figures.

Now, I believe that our policy is that we are not going to engage in aggression. We are not going to have the first use of armaments. If somebody else engages in aggression in Europe, then we have to reserve the option and preserve the uncertainty as to what we are going to do.

Senator PELL. Thank you. My time has expired.

Just for the record, I would point out the freeze resolution also included reductions in it.

Thank you very much.

The CHAIRMAN. I would like to note also for the record that Senator Javits, who is the author, with Senator Stennis, of the War Powers Act, would have liked very much to have been here. One of the greatest proponents of arms control we have ever had in the Senate of the United States is here, and I am pleased to recognize the presence of Senator John Sherman Cooper of Kentucky in the third row right here.

John, welcome back to your home in the U.S. Senate.

Now the distinguished chairman of the Agricultural Committee, but more important, a member of the Foreign Relations Committee.

Senator HELMS. Thank you, Mr. Chairman.

Mr. Secretary, I watched with some care and great interest your cochairman of the board at home, Mrs. Shultz, while you were delivering your statement. She followed it very carefully, and she nodded. I think you got an A plus.

Mr. SHULTZ. Senator Helms, I have to correct you. She is not co-chairman of the board at home; she is chairman of the board at home.

Senator HELMS. That shows he is a diplomat, does it not?

Mr. SHULTZ. No, I am a realist. [General laughter.]

Senator HELMS. Mr. Chairman, if I could use a minute of my time, I believe the Secretary's son, Alex, and his daughter, Meg, are also here along with Mrs. Shultz. I know the rest of the committee joins me in welcoming all of these members of your family.

Mr. SHULTZ. Thank you. Yes, they are.

Senator HELMS. But what I am really getting around to is two of Senator Percy's grandchildren are in the audience, and we are glad to have them. I expect equal time when my grandchildren come.

Mr. SHULTZ. I have a feeling I am being set up.

Senator HELMS. Yes, you are. [General laughter.]

You can count on it. [General laughter.]

The CHAIRMAN. No; it is just your appeal to all generations. [General laughter.]

Senator HELMS. Mr. Secretary, I very much enjoyed the visit that you and I had several days ago, and I have no predisposition to try to paint you into a tight circle, because you have ahead of you a full plate of variables.

I will say that I was interested that your statement said very little about Latin America, but that does not bother me because I know from our conversation your awareness of and your concern about the peril that faces this country in terms of our neighbors to the south. The proof of any pudding is in the eating. And the assessment of a Secretary of State will depend upon his judgments and his recommendations to the President.

Let me ask you one general question—and this is not designed to hem you in or pin you down—are you familiar with the foreign policy platform on which President Reagan ran in 1980?

Mr. SHULTZ. Yes, sir.

Senator HELMS. Do you think it is a pretty good platform?

Mr. SHULTZ. Yes, sir.

Senator HELMS. You think then that it ought to be implemented?

Mr. SHULTZ. By and large, yes, sir.

Senator HELMS. Do you think that the second, third, and fourth levels of the State Department ought to be interested in implementing the Reagan foreign policy?

Mr. SHULTZ. It is up to the civil servants in the Government to serve the Government that is in power and in accordance with the laws of the land. I am sure that that will be the case.

I would say, Senator, that I have been at the State Department for only a brief period, and they have been helping me to understand the various issues, to get my statement up and so forth. And I found there, as I found in the other Government departments where I served, a great reservoir of talent and dedication. They really helped me a great deal.

Senator HELMS. That is good. [General laughter.]

Let me move on to one specific thing. You have no problem whatsoever, do you, with the administration's constant and firm assurances that Taiwan need have no fear from any action by this administration?

Mr. SHULTZ. I have no problem with that whatever, Senator. But I say as well that I think the continued development of our relationships with the People's Republic of China is a matter of great importance. But that is not to say that I have any hesitation in supporting the relationship we have with Taiwan and in the faithful carrying out of the provisions of the Taiwan Relations Act.

Senator HELMS. Do you have any problem—well, let me put this in general terms—do you have any problem with a third country dictating our relationship with another, with a second?

Mr. SHULTZ. Well, I think, Senator, that we have to think through what is in the best interests of the United States and then act on the best interests of the United States wherever in the world we may be turning. So our touchstone is our interest, and we have to look at everything that way.

Senator HELMS. Mr. Secretary, I am going to let that answer go by, but that is not an answer to my question. Again, I think I know your concerns about this matter, and as I said earlier, I do not want to be among those who may try to pin you down.

Mr. SHULTZ. I would be delighted to have you pursue that however you wish.

Senator HELMS. All right, I will. How about aircraft, the sale of aircraft to Taiwan, where do you stand?

Mr. SHULTZ. If it is determined by us that that is needed for the defensive purposes for Taiwan, that we should do it.

Senator HELMS. So you will not be deterred by protests from Peking about the sales of promised military equipment to Taiwan?

Mr. SHULTZ. No.

Senator HELMS. Now, you are going to have an outcry from Peking. Are you going to say this is our business, or are we going to be nervous and shaky about Communist China?

Mr. SHULTZ. It is our policy, and it is a policy that I support, that the differences of opinion between the Chinese on the mainland and the Chinese on Taiwan is a problem for them to work out, except that we have undertaken, and I support that undertaking, that any solution to that problem should be by peaceful means. And in pursuit of that objective, we have expressed our willingness and determination to provide defensive arms as needed to Taiwan. And personally I think that is exactly where we should be.

Senator HELMS. Have you discussed the Taiwan situation with the President specifically in any detail?

Mr. SHULTZ. No, sir, I have not. But I have read things that the President has said. I have discussed it with him on earlier occasions. I have seen the President briefly when I came from London and met with him at Camp David, and then shortly thereafter he went to California, and I hit the books. And I met with him yesterday, but it did not happen to come up.

Senator HELMS. In that case, I have you at a little bit of a disadvantage, and I do not want to push that. But the President called me on one occasion and gave me his absolute flat-out assurance on the question of Taiwan. This goes back to the original question that I asked you about the 1980 foreign policy platform on which Ronald Reagan ran and was elected.

Mr. SHULTZ. Is there some ambiguity about my answer? I did not think there was.

Senator HELMS. No, I did not think so. I think it is fine, particularly under the circumstances.

Finally, would you address yourself to the degree of your concerns about Central America, what our responsibility is in that area and what our failure to exercise our responsibilities will be in terms of results? Your statement had a mention only of the Caribbean Basin. I think this confirmation hearing ought to include a statement by you with reference to Central America and South America, if you can.

Mr. SHULTZ. Yes, sir. Let me make a comment first about the dilemma I faced in writing out a statement to present to the committee.

Senator HELMS. Oh, I understand.

Mr. SHULTZ. I scratched my head and thought, well, maybe I ought to try to say what I think about everywhere in the world, and there is no space to do that. The problem then is if you speak about any place, then people may infer from that that you do not think some other place is important. So my decision was, since so many members of this committee asked me about the Middle East, in view of the fact that I had a prominent role in Bechtel and we had lots of work in the Middle East, in the Arab countries, I thought that was a fair enough question and that I ought to address it, and I did.

But that does not by any means suggest that I am not cognizant of the tremendous problems and opportunities and relationships that we want to nurture in other parts of the world. And I meant to cover that by saying that it seems to me we must have a global outlook, as General MacArthur reminded us some time ago, or reminded this Congress at a joint session so eloquently.

Now, as far as Central America is concerned, it must be a matter of great importance to us to see that in Central America, so far as we can help to bring it about, there is an opportunity for that necessary stability if economic development and progress and a decent life is to take place.

We must recognize that there are difficult problems in many countries of Central America, and to a very considerable degree fomented by a flow of armaments that seems to come from the Soviet Union to Cuba, to Nicaragua, and to wherever. And that is a reality that we have to look in the eye, and we have to know where our interests are and support them.

At the same time, I would say, we never want to get ourselves in the position of feeling that the essence of the problem is essentially military. I think it is true in these situations that, in a sense, having a stable environment from the standpoint of law and order is a necessary condition, a necessary condition but not a sufficient condition, for the kind of development we would like to see in that area, and in order to have both a necessary and sufficient condition, there has to be a chance for economic development and a chance for freedom and liberty and the things that we enjoy in this country.

Senator HELMS. Mr. Chairman, let me just make one closing remark. Secretary Block is an excellent Secretary of Agriculture, and I believe that he offers to our country one of our major foreign policy levers. And I do hope, Mr. Secretary, that there will be a

close relationship between you and Secretary Block because I believe it will be to the advantage of the United States. I feel sure that my friend Dick Lugar is going to address himself to grain and one thing or another.

Thank you, Mr. Chairman.

Thank you, Mr. Secretary.

Mr. SHULTZ. I could comment, Senator, that Secretary Block was right on the stick. I had hardly set foot in Washington when he called me up, and he had a piece of paper in front of me right away. And he came over, and we had a nice talk. So he is right there.

Senator HELMS. I forgot, this is all an "Illinois Mafia" that we are operating here. [Laughter.]

The CHAIRMAN. Secretary Block called me Sunday at home when I returned from Illinois, to comment on how much he was looking forward to working with Secretary Shultz. They have a very high mutual regard and, I think, will have a very close relationship.

Senator Helms, I would like to say that certainly the President has given us assurance, in response to a letter that I wrote to him, that there will be close consultation on this delicate Taiwan-Peking situation.

And I would like to commend the President on withdrawing the sanctions from Argentina now, commend the British on the return of all prisoners, and the effort being made by all of us to get this tragic Falkland Islands situation behind us as rapidly as possible.

Senator Biden.

Senator BIDEN. Thank you very much.

Good morning, Mr. Secretary. It is nice to see you again.

Mr. SHULTZ. Good morning, Senator.

Senator BIDEN. I would like to make one comment prior to beginning my questioning. As long as you follow the dual advice of Senators Percy and Helms on Taiwan, we will have no problem. [General laughter.]

You will satisfy everyone. They represent both points of view.

Mr. Secretary, you are here—and I call you Mr. Secretary not because you have been confirmed yet but because you have been Secretary at least on two other occasions, and I expect on a third—you are here because there is a problem. You are not here in the normal course of events, although it has become normal in the last two administrations to see a Secretary of State leave in midstream.

And as you know as well as any of us on this committee through your worldwide travels and close relationships with the various world leaders—and I am not merely referring to the Middle East; I am referring to Europe, Germany, Great Britain—that is an extremely worrisome aspect of American foreign policy to our friends and foes alike.

So you are here because we have a problem. And your job is going to be to solve the problem, not merely to be the Secretary of State, which is an awesome responsibility.

To an outsider looking into an administration as I am, it seems as though in order to solve that problem, one of two things has to happen: Either there has to be a structural reorganization within this administration which has little foreign policy organization—and I say that about the last administration, too, although this is

like Carter revisited from the right—you have the National Security Adviser bounced out after less than a year, a very strong figure, strong personality; you have the No. 1 person in the Cabinet bounced out in less than 2 years in an administration; the two chief foreign policy spokespersons of this administration, the only two with acknowledged expertise in the area of foreign policy prior to assuming the office, gone.

And now we have a man of your caliber. And I do not say that lightly. I think you are, of all the people who have been submitted in the four presidential terms that I have been through as a U.S. Senator, you are at least as qualified intellectually, politically, morally, and every other way as any man who has ever sat before any of our committees.

But to get to the specific question. It is either a structural problem or a serious personality problem. And you in a newly published book criticize the overreliance on "the exact organizational form of the coordination mechanism for shaping policy. What counts more than the structure of the coordinating mechanisms are the personal qualities of the key officials and their ability to work together."

You go on to say, "The White House has many of the attributes of a royal court. Access to the President can easily become an end in itself. Intrigue can too easily replace analysis in policy formulation and execution."

Simply put, Mr. Secretary, how are you going to solve the problem for America? How are you going to solve the problem for this administration of having one person, one voice, one policy in foreign policy? Can you do the job, and how are you going to do it?

Mr. SHULTZ. I think it is basically extremely simple. The foreign policy we talk about is the President's foreign policy. My job is to help him formulate his foreign policy, along with others, and to take a major part, both in the formulation and in the effort to execute that policy, and maintain a consistency of it. But it is simple in that it is the President's policy. We are all in the administration, fundamentally working for him. He is the boss.

So I think it is a very simple proposition. There are procedures set out, and there is a National Security Directive that states the responsibilities of the Secretaries of Defense and State and the National Security Advisers and other Cabinet officials. And I have that—I am sure you have it—that lays it out very clearly.

But I personally still agree with what I wrote, and which you read, that in the end you have a group of people there and they have to develop a good, solid, respectful working relationship. And that is always the way I have gone about it in other jobs that I have had in government and the university and companies, and that is the way I intend to go about it here.

Senator BIDEN. If I can pursue that a little bit further. In another article in May of 1979 in Business Week, you referred to, I think very accurately, "lightswitch diplomacy." And for those who did not read the article, as I expect most have, you were referring to the "off-again, on-again" quality of American foreign policy.

Mr. SHULTZ. I was referring to the "off again, on again" use of trade as a tool and all over the world with friends and foes and just the idea that here is something we can get a hold of and switch it

back and forth and have some impact. And the article was an attack on that line of thought.

Senator BIDEN. There are some people within this administration who appear to believe in that type of foreign policy as it relates to the use of trade.

Mr. SHULTZ. Well, I do not sense that. But as I said earlier, I do think in the case of the sanctions that have caused so much attention, that there you have this overriding concern with the treatment being accorded to the Polish people and the desire to register our views about that and to have some impact.

Senator BIDEN. I will not pursue the inconsistency of selling grain and not letting the Europeans conduct trade. I will let Helmut Schmidt tell you more about that.

Mr. SHULTZ. I am sure he will.

Senator BIDEN. I am sure he will, and everyone else.

But let me, in the 2 minutes I have left, continue to pursue the point about who is going to state the foreign policy. And I am not being facetious when I say this.

The President of the United States, not unlike the last President of the United States, came to office without any recognizable discernible background in the area of foreign policy. His strong suit has not been foreign policy.

Now, hold on a minute before you leap to the defense here. The President's strongest supporters have always said with regard to foreign policy the one thing they would be certain of, he would surround himself with good people. No one ever talked about the President being a Richard Nixon in foreign policy, a man who thought that was his area in terms of his background, his interest, and his concern.

Now, this President has as apparently his chief remaining foreign policy adviser a man who has even less background in foreign policy, the National Security Adviser, a man who is a fine man, a man who is one who is able apparently to bring together disparate views, but also a man who appears to be having a greater and greater influence on the policy decisions relating to very important foreign policy questions. And I refer obviously to Mr. Clark.

Do you anticipate—and I know what the answer will be, but I want to ask it for the record—do you anticipate being able to have a close relationship with Mr. Clark, and do you anticipate being able to have the President's ear on foreign policy matters whenever there is an important foreign policy question to be decided?

Mr. SHULTZ. The answer to those questions is "yes."

Senator BIDEN. Have you asked the President whether or not you will be able to have access whenever there is a foreign policy matter?

Mr. SHULTZ. The President has told me that I have access to him personally or by phone or whatever wherever we are at any time.

Senator BIDEN. Well, there is much more to pursue on this, and that red light is about to go on. There is a lot to talk about in terms of the Middle East and nonproliferation and Bechtel and all the other things that you have raised.

Let me ask you one question with regard to Bechtel, and I compliment you on your statement with regard to your recusing your-

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self and divesting yourself of interest, et cetera. Are you going to go back to Bechtel?

Mr. SHULTZ. I have no plan. I have no invitation to go anywhere, no plan to go anywhere. I have not given any thought to what I will do. And the only more or less commitment I have is to go back to Stanford, and at that point I will be, assuming I can hang in there, just about at retirement age. [General laughter.]

Senator BIDEN. Would you be willing to commit not to go back to Bechtel? And before you answer, let me tell you why I ask. You are going to receive a number of questions from my colleagues here, who have done a lot of research on Bechtel and its relationshp with the Arab world, and everyone is fully aware of the Saudi policy, among others, with regard to with whom they deal if they deal with the Israelis.

Some are going to suggest to you that if, in fact, you were required to take a position in the interest of the United States of America that was viewed as very supportive of Israel and against the interest of Saudi Arabia, that you might very well be reluctant to do so because you would know that that would prevent you from ever being able to reassume a position at Bechtel.

Mr. SHULTZ. Oh, no. I do not have any such concern in my mind at all. In the first place, I think, even though I was part time at Stanford, I am on tenure. So I have a job. Any time you want to get rid of me, I have a job. Senator Hayakawa used to be a college president, and as he knows, people on tenure are tough. [General laughter.]

And that is my situation. I also am fortunate to have accumulated enough assets so that if I choose to sit around for a while, I am not going to starve. So I have a free hand.

Senator BIDEN. I would be presumptuous not to suggest to you that it would allay a lot of concerns, beginning with this Senator, and maybe also give you a freer hand if you would be willing to make a public statement that you would not go back to Bechtel, even though you are not required to make such a statement. But I will not press that point at this time.

The CHAIRMAN. Thank you. Senator Hayakawa.

Senator HAYAKAWA. Thank you, Mr. Chairman.

Since I am concerned as chairman of the East Asia and Pacific Affairs Subcommittee, I am going to ask a couple of questions having to do with East Asia. Something that bothers me a lot, is that Vietnam continues its military occupation of Cambodia and resists the ASEAN governments' and the U.N.'s efforts to negotiate a political settlement.

However, a tripartite coalition government in exile has just been formed under the leadership of Prince Sihanouk, Son Sann, and Khieu Samphan with the blessing of ASEAN [Association of Southeast Asian Nations], and will soon be seeking international assistance.

Now, from the point of view of the West, that looks like a hopeful sign. Do you believe that the recent formation of such a coalition government in exile for Cambodia is a step in the direction of a political solution in Cambodia? And to what extent do you think the U.S. Government should support such a coalition?

Mr. SHULTZ. I think it is a constructive step. I think the main point is to get Vietnam out of Cambodia or Kampuchea, or whatever is the right name for that part of the world. It seems to me that our right posture is to strive for that and to support our friends, the ASEAN countries, in what they are doing.

Senator HAYAKAWA. Thank you. I, too, believe that the ASEAN alliance is a force for good in the world, and if they believe that this coalition, this tripartite coalition, in Kampuchea is something that offers hope for the future, I think I would agree with you that it is something we should encourage.

But should our policy go so far as to offer military supplies for Son Sann's forces? Or would you rather address that when it actually comes up?

Mr. SHULTZ. I think I would rather leave it that way.

Senator HAYAKAWA. Last August I visited Laos in the hope of finding out something about our unaccounted-for POW's and MIA's and got, I thought, somewhere with the negotiation. But it turned out that I got nowhere at all.

I offered to encourage the sending of an American team of experts to clear the Plain of Jars of the unexploded bombs that still lay there, endangering the lives of Laotian farmers who would accidentally strike them with their plows or hoes.

I hoped that in return for such a humanitarian gesture, they might give us assistance in accounting for some of the aviators we know were shot down, and we know exactly where they were shot down, so that we could be given access to those places so that we could identify their bodies or identify the wreckages and report to their next of kin exactly what happened to them, if they could be identified.

I had hoped that something would come of that, but despite the hopeful signs last August and September and exchanges of correspondence, nothing has come of it.

Is this a promising way of approaching this problem? Is there any hope of getting from such stern and what are apparently inhuman dictatorships that you have in Laos and Vietnam, any such assistance for questions of this kind, like the MIA's and the POW's?

Mr. SHULTZ. Senator, I think that we must have hope. We must have effort and work, and we must follow every lead we can find and use every avenue we can find to give as much information as is possible to the people directly involved and to their families. It is a matter on which we have to work hard and extend our greatest sympathy and efforts.

Senator HAYAKAWA. I am doing the best I can but seem to be getting nowhere. I would certainly be grateful to you for your help.

Mr. SHULTZ. It has certainly been one of the heart-rending aspects of the aftermath of that war, and it has also been a measure of those governments to see how cruelly they have used that fact.

Senator HAYAKAWA. What should our policy be on the release of commodity stockpiles which have a direct effect on commodity prices of our friends in Southeast Asia? We do have those stockpiles.

Mr. SHULTZ. Are you speaking of the tin problem, mainly?

Senator HAYAKAWA. Well, to release those commodity stockpiles would have a direct effect upon commodity prices for our friends in Southeast Asia.

Mr. SHULTZ. Any time that you sell into a market, you have some effect on the price.

Senator HAYAKAWA. Yes.

Mr. SHULTZ. I think from our standpoint, as a general proposition, if we are going to sell off stockpiles, it is best to sell them into a rising market rather than a falling market, as a general proposition, and using the fact of the sale in whatever constructive way we can. I was in Malaysia recently, and I heard a lot about this.

Senator HAYAKAWA. Trade friction between Japan and the United States continues to be very high. What do you believe to be the source of this enormous trade deficit with Japan? What steps do you see as necessary to rectify this?

Mr. SHULTZ. First, I think the biggest problem to be worked out is access to the markets of Japan. The Japanese have taken some steps recently, important steps, that help in that regard. And I think there are further things that need to be done.

To me a particular problem is the system of inspection by which particularly manufactured goods enter Japan. And they have committed themselves to streamline that. I think we need to watch that closely and help them to follow through and be sure that that actually does take place. That will be of some assistance.

At the same time we must acknowledge that one reason why there are so many Japanese goods sold in this country is the Japanese have done a darned good job of producing high-quality goods at a low cost, and that is a great advantage to our consumers.

I would say further that while the imbalance with Japan is very large—and basically, it is undesirable to have that big an imbalance with one country—fundamentally, we have to look at the trade picture on a multilateral basis and not get too wound up in any one country. On a multilateral basis we have a reasonably good trade picture, all things considered.

Senator HAYAKAWA. This is not a question, sir, just a bit of information. I am working on legislation to make an exchange by means of which we ship Alaskan oil to Japan while Mexican oil goes to the east coast via the gulf in a sort of exchange process. And if this kind of legislation goes through, it might reduce our trade deficit a little.

Mr. SHULTZ. I wish you luck. Why do you not include gas with the oil?

Senator HAYAKAWA. It is uphill work. There is a lot of objection to it. Thank you, Mr. Shultz.

The CHAIRMAN. Thank you, Senator Hayakawa.

It might be appropriate, without objection, to insert in the record at this point a letter that I have just received from one of our most respected former colleagues, the former majority leader of the Senate and now Ambassador to Japan, Mike Mansfield.

Dear Chuck: I should like to add my full support to the nomination of George Shultz to be Secretary of State. I have known him for over 20 years as one of the Nation's great economists, a man of knowledge, dedication, and integrity. He is the right man for the right job at the right time, and his services are greatly needed in this time of great difficulty. He has visited Japan and the Pacific Asian area many

times and during the last 2 months had lengthy and productive meetings with Prime Minister Suzuki and also meetings with other high officials and businessmen. He has the confidence and trust of the government and the people of Japan and East Asia.

The CHAIRMAN. And I think before Senator Lugar, as chairman of the Subcommittee on Europe asks questions, we should note also that throughout Europe there has been widespread acclaim for this nomination, as we did when Secretary Haig was brought before this committee. They had a very high regard for him as well.

Senator Glenn.

Senator GLENN. Thank you, Mr. Chairman.

Mr. Shultz, I had asked the committee to have Secretary Haig in for a hearing before your hearing. I thought that was important. That request was not honored.

But you are here today because Secretary of State Haig resigned because of a change of policy that he could not accept. What is that change of policy?

Mr. SHULTZ. Senator, when the President called me, what he said to me is, Secretary Haig has resigned—past tense—would you be Secretary of State?

I am concentrating on the future. And I think to get authoritative word on whatever precipitated Secretary Haig's resignation, it is really appropriate to talk to the people who were involved. I was not there. I was not even in the country. And I do not know.

Senator GLENN. Have you not questioned Secretary of State Haig on this?

Mr. SHULTZ. I have talked to Secretary Haig, and our conversation has been directed toward the future. We had a lengthy conversation a week ago Sunday, I think it was, about 3 hours. We went around the world, and he was most constructive and helpful. But we did not try to warm over his situation. That is for him to work out.

Senator GLENN. Did Secretary Haig tell you why he was resigning? That surely must have come up in your conversation.

Mr. SHULTZ. I did not try to press into that.

Senator GLENN. No; but did he tell you why?

Mr. SHULTZ. One can make inferences of various kinds from what you read in the papers or things that people say. But I basically felt that it was not my issue, and I have enough things to think about than to get into that question.

Senator GLENN. Well, did he volunteer to you why he was retiring or resigning?

Mr. SHULTZ. He made a few comments to me about it. But as I say, I wanted, and he preferred, to have our conversation concentrate on doing the job as Secretary of State and the problems that were facing us and matters of that kind.

Senator GLENN. President Reagan has said that the public knows as much as it needs to know about this matter, which was a rather incredible statement, it seemed to me, with his having come to office with a pledge of an open Presidency and free information.

Stonewalling, in this case, has left our own citizens mystified and our allies greatly disturbed. And I know that personally from having talked to some of the Ambassadors who do not know what direction we are going. I think it is important that we dispel some

of this. How do we take away this doubt and clarify it if we cannot find out what the change of foreign policy is? And I find it rather amazing.

I appreciate the position you are in, wanting to look forward and not rehash old things here. But the Secretary of State, the leading foreign policy person in the world's leading nation, resigns over a change of foreign policy he cannot go along with, and the American people and other nations around the world do not even know what that change of policy is.

How are we going to take away this doubt or clarify what our new policy is if we do not even know what the change is?

Mr. SHULTZ. I can only tell you what I know and what I plan to do. And from my standpoint, I plan to work closely with the President and his advisers and to continue work on the formulation and execution of our foreign policy. And as I have watched it emerge, from a distance, California, travel around the world, it has emerged to me as a consistent and coherent foreign policy. I have not had any trouble with it, and most people around the world that I have talked to have seen that there has been a shift and can see the general outlines and directions of it.

Senator GLENN. Well, do you feel there has been a change in foreign policy yourself?

Mr. SHULTZ. From the Carter administration, yes, a very distinct change.

Senator GLENN. No; I mean in the Reagan administration, during the Reagan administration.

Mr. SHULTZ. I think there has been an unfolding and an evolution and emergence of a very clear foreign policy, yes.

Senator GLENN. So you do not feel there has been a change?

Mr. SHULTZ. I read about that all the time, but when I look at what is happening, I think it is pretty clear and consistent.

Senator GLENN. Well, I am not saying there has or has not been. I am just quoting the former Secretary of State who says there is a change.

Mr. SHULTZ. Do not ask me about it. Ask him.

Senator GLENN. Well, you are the new Secretary of State. I am asking you. And if you do not perceive there is a change of foreign policy, then that means we go along with the direction we have been going. I am not quarreling with the overall direction at the moment here, but I will have some details to bring up later on some of these things.

Mr. SHULTZ. I think the essential point is that we have the same President, same man calling the shots, and that is the continuity that we have.

And I would say one other thing, if I could. I would like to make one other point if I could on this, and this is just a personal view of mine, although I believe it is widely shared. I think it is important to have continuity in our foreign policy, and I do not mean day-to-day, week-to-week continuity, but in sort of the broad sweep of what we stand for around the world.

I do believe that there is a broad consensus in the United States about what our country should be doing and that this is a bipartisan consensus. And it seems to me important to nourish that idea and work at it. That was one of the reasons I made an effort to call

all my former colleagues, the Democratic Party's Secretaries of State, and the Republican Party's.

And that is why I was heartened that they all were very forthcoming in their willingness to help and why in my work as Secretary of State, if I am confirmed for the post, I would intend to consult and work with members of this committee and your counterparts in the House, on both sides of the aisle, because I think the guarantee of continuity comes from the breadth of support that we have for the fundamental things that we are trying to do, given that we are always going to have t's to cross and i's to dot and one thing and another where we will disagree.

Senator GLENN. I will get back to the issue of the consistency in foreign policy, at a later time.

But before my time is completely up, do you favor sending the Marines into Lebanon?

Mr. SHULTZ. I favor the use of U.S. forces if it can be done properly and safely in order to resolve the problem we see in Beirut. If we can remove the PLO fighters from Beirut peacefully, get them somewhere else, and avoid an explosion in Beirut, we will have accomplished something very important for the longrun cause of peace, and we will have avoided a tremendous amount of bloodshed.

So if we can do that properly and in conjunction with the forces of another country which I think shows that it is not just us, I would favor doing that, yes, sir.

Senator GLENN. You used the word "safely." I would submit that if it can be done safely, we do not need the Marines. And if it cannot be done safely, then we are going to be attending some funerals over in Arlington with Marines coming back in body bags one of these days. It is one or the other.

Mr. SHULTZ. Well, we certainly do not want that. But I do not agree with you. I think that on our streets, if there are some police, it helps safety. It is not a question of saying if things are safe, we do not need the police, and if they are not safe, we cannot use them. I think the presence of people who are capable of maintaining peace contributes to it.

Senator GLENN. Well, that is a combat situation there. And it would seem to me that if we have the agreement that really makes it safe for Americans to be there and go right smack dab in the middle of West Beirut, then what we need over there are some people with clipboards checking the people out by name and not a combat force.

The implication of a combat force is it will be used, and it might be used whoever breaks the peace, whether it is the PLO, whether it is the Israelis or whatever. If we are there with a combat force, it is not a ceremonial function like the Sinai is basically. And it disturbs me very much that that is the position we might be putting a substantial number of Americans into. And we can expect to take casualties. If we do not, then it should not be that type force that goes in there, it seems to me.

Let me ask, too, I have been unable to get from anybody in the State Department any idea of the long term settlement we are trying to get out of the leverage that we have right now. We have leverage in there now. If Lebanon wants us in, are we asking them

in return to, say, agree to the Camp David Accords? The PLO wants us in. Are we asking them to cease terrorism and make some agreement or other?

The Arab nations want us in. Are we asking them to recognize Israel and perhaps exchange ambassadors? Israel wants us in so they can withdraw. They are a little less vocal about it. But are we pushing them to get the West Bank on as part of the autonomy talks so we can get that going again?

I have been unable to get a handle from anyone in the administration about this. Are we using the leverage that we happen to have right now because all parties want us to come in? What are we planning in the way of a long term solution to this thing that could come out of this leverage that we have right now and which will not last forever?

Mr. SHULTZ. Senator, I agree completely with you that this is a moment when, for reasons that are tragic in many ways, it nevertheless is a moment when there is a chance to establish a peaceful Lebanon, and there may be a chance for a breakthrough in other aspects of Middle East developments.

And it seems to me that we should be working hard on that as a matter of urgent short term implementation of a long term program. I agree with that.

Now, having said that, I would have to say I do not have in my mind some plan, and I do not think that you really succeed in a negotiation by having a preconceived idea of what everybody should accept. I think you have to work at it.

I said in my statement that I do believe that for it to succeed there has to be Palestinian representation in this picture so that the Palestinians feel that whatever outcome emerges is something in which they have had a part. That representation has to be legitimate in their eyes.

Senator GLENN. My time is up. But would you include talking to the PLO as representatives of the Palestinian people?

Mr. SHULTZ. If the PLO acknowledges Israel and its right to exist and the U.N. Resolutions that have been passed on this subject, 242 and 338, then that is something to consider. And the President, I believe, has said that under those circumstances, and particularly if they get off this guerrilla kick, they are one voice of the Palestinian people. Whether they are the voice is another question.

Personally, I hate to see people who have been elected mayors on the West Bank or who perhaps have been appointed but apparently have some degree of legitimacy in the eyes of the residents of those towns removed from office, because you are just removing people who have a certain level of legitimacy. You never get legitimacy by appointing somebody to a post and specifying that they will do the representing.

Senator GLENN. My time is up. But I hope when you are confirmed, that one of your top priorities will be using that leverage we have right now, and which will be a fleeting thing to get some of the long term aspects of this situation settled. I think this is being overlooked right now.

Thank you.

The CHAIRMAN. Senator Glenn, because of the important principle that you have enunciated on setting a consistent and predict-

able foreign policy, I would like to say to you, Secretary Shultz, that this hearing should be a two-way exchange. You should learn our views as well as we learning yours.

I would like to say that though we are, as you know better than anyone, a separate branch of Government with separate responsibilities, this committee has unique constitutional responsibilities with respect to foreign policy. To the extent that it is possible the members of this committee have tried through succeeding administrations to adhere to a bipartisan foreign policy.

We will work closely with you in attempting to develop a consistent, steady, predictable foreign policy that will avoid miscalculation by both our allies and friends and by our adversaries, because it is miscalculation that so many times leads to disaster. We look upon that steadiness of policy as a part of our responsibilty, and a part of our responsibility is to work with you.

Senator Lugar is next. He is the chairman of our European Affairs Subcommittee.

Senator LUGAR. Thank you very much, Mr. Chairman.

Secretary Shultz, two general statements have been made from time to time regarding grain trade and other trade with the Soviet Union. One you have reiterated this morning, in suggesting that we suspended the negotiations for a long-term agreement on grain after the Polish situation in December to show our abhorrence of what occurred in December. You said it would be inappropriate to renew negotiations now, because that would give the wrong signal. This idea of "giving signals" seems to have permeated State Department talk about grain in particular and trade in general.

The second statement that has often been made is that it would be inconsistent to open up grain trade while at the same time opposing the gas pipeline. This has been regular diplomatic jargon, and the press has picked it up again and again. Grain trade has been regarded as a parochial interest of some Senators and Congressmen in constituent-oriented casework which has very little to do with foreign policy.

It has appeared almost troublesome for Secretaries of State and others who have to deal with people who insist upon grain trade.

Let me try for a moment to review the bidding, because your answers to Senator Percy this morning set off all sorts of alarm bells for me. If you are suggesting that it is inappropriate for new negotiations on a long-term agreement because of "wrong signals," I hope that you would reconsider your view. Our agricultural production base, as you have rightly suggested, is very important. You suggest that agriculture reflects the difference between our system and the Soviet system. It is very important to consider the great stake we have in maintaining that base. It is vital whether we are going to have a farm economy in this country that works or one that does not.

I would contend that trading grain for gold is a good trade. It is different from the pipeline in which Europeans will be lending the Soviets money to facilitate trade, and which we believe will make Europeans more dependent upon the Soviets. In fact, it is the Soviets who are dependent upon us in grain trade, and they give us gold for grain, which extracts something of equal measure.

I am not able to fathom the rationale for the embargo that President Carter imposed, an embargo which was a disaster for agriculture. History may judge whether it was of value in foreign policy. I think not, but that is arguable. What concerns me now is that we have had a semiembargo under Secretary Haig, with the threat that the other shoe might fall at any point. There has been a chilling effect upon American agriculture, and people in American agriculture resent this. This may be perceived by the administration or not, but it happens to be true.

We come now to a very important week in the life of American agriculture and, I think, the life of the country. You will be weighing in with your opinion, and it is a mighty important one at this stage. We continue to hear arguments that grain trade gives the wrong signal, that food is an appropriate weapon, and that by diminishing Soviet herds, Soviet chicken flocks, and the Soviet diet, that we bring some injury in the relationship of Soviets with the state. These are very tenuous arguments and I wonder why we don't get over this. Why can't we get beyond the illusory thought that somehow agricultural embargoes or the lack of trade is a weapon of value?

In other words, why are you reticent to say "let's put this thing aside, let's get over this, let's get beyond the State Department jargon which has permeated this argument too long? In short, this is the time for a new policy."

Now, I know, and you have stated for the record that you were involved in the last long-term agreement on agriculture. You visited with Premier Kosygin himself about this. You know the arguments backward and forward, and have dealt with these things more than any other individual in public life. This is why I press the point this morning. It is so important that somehow you get through to the President and to the other Cabinet Secretaries that this is fundamentally important for this country and its foreign policy. This is not an argument that is related to the pipeline or with anything we have done before: it is important to resolve in its own right.

Now, after all of this, do you have any comment? I must say, after listening to Senator Percy and to your answer, I had a feeling we are in for a very bad week. I would like to see if that could be turned around.

Mr. SHULTZ. I am tempted to quit while I am not too far behind, but I will make a few comments.

First, I agree with your distinction between the pipeline and the structure of that relationship and the selling of grain. That distinction is a valid one. I do not have any trouble with the second. As a matter of general policy, I have stated my view and written it out some time ago about the use of trade as a day-to-day weapon in foreign policy, but I do not think it is a good thing to do.

Having said that, and having reflected on the behavior of the Soviet Union in Poland and what is going on there, I find myself in total sympathy and support for the President's effort last December to register and make clear and give some effect to our objection to that. Now, at that time, the talks on a long-term agreement were suspended, and the notion was that they would stay suspended unless we saw some change in the situation. At least that's what

I read. I do not think we have seen any change. Maybe there will be one, but so far there has not been one, and we do have a matter of keeping some faith in a way with the Polish people in this country and in Poland. So, that weighs heavily with me.

Now, of course, it is obviously true that within the framework of not undertaking a major discussion for a new long-term agreement, that still leaves lots of possibilities for how trade may be conducted in the next crop year. I do not foreclose any of those. I do happen to believe, having struggled with this issue before, as you noted, and let me correct the record, I was not involved in the negotiation of the agreement as such. I think the first one went into effect after I left Washington, but I was involved in a lot of the earlier considerations of long-term relationships between their economy and ours.

I do think that if we are going to provide them access to our grain markets it is better to have a structure for doing that. So, if we are going to have that trade, there should be some kind of structure within which it takes place. I agree with that.

Senator LUGAR. What type of trade? If you feel that we have made a commitment by predicting long-term negotiations on changes in Poland, and change has not occurred, what can we do in terms of trade? What are the other options that exist in this current crop year?

Mr. SHULTZ. Well, markets could be opened. You could have sales without an agreement. That is one thing that could happen. You could have the current agreement extended as it already has been, and the level of purchases could be what it has been or it could be changed. There are all kinds of possibilities that are present but which are not the negotiation of a new long-term agreement that has a span of years connected with it, that looks well into the future.

Now, I would agree that given the right kind of situation, that sort of relationship is desirable. It gives people a chance to plan and think, the farmers as well, but we have a relationship with the Soviet Union that is all of a piece, and we want it to improve as a general proposition.

Senator LUGAR. What you are arguing, then, is that it would be desirable to have a long-term agreement so that there would be fewer surprises and inappropriate buying by the Soviets—but that because of the tie-in with Poland we will need to proceed without an agreement. Will this be so until there is a change in Poland, and therefore that commitment can be laid aside and we can finally proceed to do what would be most desirable?

Mr. SHULTZ. I think the situation in Poland is important in and of itself and by itself, but we must also remember that it is part of a pattern. We look at Afghanistan. We look at other areas of the world where I think the Soviet Union has been disruptive from our standpoint, so it is not as though Poland is a kind of isolated incident by any means.

Senator LUGAR. Thank you very much.

The CHAIRMAN. Thank you very kindly.

Senator Sarbanes.

Senator SARBANES. Thank you, Mr. Chairman.

Secretary Shultz, first, I want to commend you on your opening statement and your willingness to address forthrightly some of the concerns that have been raised. I want just to follow up on a couple of points first that are in your opening statement.

You state, and it is a statement with which I concur, if I understand it correctly, "I will do so fully conscious that the conduct of our foreign policy is, in accordance with the Constitution, a Presidential duty to be performed in collaboration with the Congress. My job is to help the President formulate and execute his policies. I shall be ever faithful to that trust."

That trust, I take it, is to help the President formulate and execute his policies, developed in accordance with the Constitution. Would that be correct?

Mr. SHULTZ. Yes, sir.

Senator SARBANES. And that in the last analysis the duty of a public official is first and foremost to the Constitution and to the laws of the land.

Mr. SHULTZ. Absolutely.

Senator SARBANES. You have addressed the Bechtel tie, about which some people have raised questions. I must say, that I find your comments proper and appropriate. I think that you ought not to come in defensively or apologetically and you have not done so. At the same time I think you have tried, as you state, to make clear that there has been a full break in any legal ties with Bechtel.

Mr. SHULTZ. Or financial.

Senator SARBANES. Or financial. I want to take it a step further. There is the question of independence of judgment—that the decisions now being made are going to be free of any carryover from the past connection. I would ask you first of all what you can point to over your career that would give people confidence or reason to believe that in the exercise of your new responsibilities you will reflect that independence of judgment which I think the American people expect from their Government officials when they leave private life and enter public life.

Mr. SHULTZ. Well, I can only refer to my record. I suppose that is better than anything I can say. I certainly contend and believe that I am able to exercise objective judgment, but that is for you to determine, and rather than listen to what I say, I suppose you have to examine my record. I am not a newcomer to Washington, so you can examine it.

Senator SARBANES. Let me now ask you to recount for us in summary your involvement in the boycott issue.

Mr. SHULTZ. The Arab boycott of Israel issue and the legislation that was produced?

Senator SARBANES. Yes; and there was a Bechtel involvement at one point as well.

Mr. SHULTZ. Yes. Well, I can recount that, recognizing that it was a long and complicated set of events with many things, and I don't remember them all, and may not get them all exactly straight, but within that framework, let me recount that.

First of all, as you know, I think some time in late 1975 the Government entered an antitrust suit against Bechtel, accusing Bechtel of violating the antitrust laws by including in some of its con-

tracts language pursuant to the Arab boycott. I might call your attention to the fact, and there were some contracts where that was the case, but I might call your attention to the fact that the U.S. Corps of Engineers, the U.S. Coast and Geodetic Survey also had clauses of that kind in their contracts. There was no public policy about that.

President Ford made a statement of policy and Bechtel corrected its procedures to be in accordance with that. Then came the antitrust suit. Bechtel fought that suit, and I think filed a very powerful brief, having read it. The law firm here in Washington, Hogan & Hartson, prepared that brief.

Subsequently, a consent decree was negotiated, and the broad nature of that consent decree in many respects can be said to have formed the basis for the subsequent legislation. That is, the basic ideas worked out were the ideas that wound up in the law.

There was a feeling in Bechtel after the consent decree was agreed to that the Government's interpretation of it suddenly was different from what we thought it was at the time the consent decree was entered, and so we objected to it, and that objection was carried on through.

In the end, the Supreme Court denied certiorari. In other words, the consent decree stood.

Now, that is the legal line of events, the event being taken up in the law having taken place before I arrived at Bechtel, and the antitrust suit was something that took place shortly after I got there, and I followed that process. Some time in the spring of 1976 or thereabouts, there started to be a lot of discussion of legislation amending the Export Administration Act or providing a section in the Export Administration Act dealing with foreign boycotts.

As I examined that and others in Bechtel examined that, it seemed to me that many of the things proposed amounted to a law prohibiting trade between a U.S. firm with a country that was conducting a boycott against some other country. That seemed to me to be a most unwise piece of legislation, and so Bechtel and I, playing an important part in it personally, decided we would work on that subject. We employed Walker Associates as a lobbying firm. We registered properly in the Congress to lobby on the subject, and we did.

My own approach to that subject, as to many other subjects, as I have tried to get into one thing or another, was first to go to my friend and business partner, Walter Shorenstein, in San Francisco, and discuss it with him. He suggested to me that I ought to sit down with some of the leaders of the central Jewish groups and he volunteered to arrange it, and so I did in the summer of 1976, have two meetings that I can remember with various people in which we discussed the issues, I think, amicably and fairly thoroughly. We did not agree, but we did have a discussion and exchange of views.

As it turned out, in 1976 the Export Administration Act died without being renewed and so the issue was never resolved in the Congress that year, but of course the subject came up right away, as everyone expected it would, when the new Congress came in 1977. In Bechtel, we continued to register properly with the Congress as a company having an interest in this subject, and to employ the Walker firm to represent us.

By this time, Irving Shapiro, who was then the head of Du Pont and subsequently the head of the Business Round Table, was taking an interest in this subject. In fact, he had joined me in 1976 as one of the leaders with the Jewish organizations. I imagine you may or may not know Irving Shapiro. He is an outstanding person, and in addition to being an outstanding chief executive, is also an attorney. So I think that was particularly helpful.

There emerged in early 1977, as the issue came to prominence, a relationship between the Business Round Table, of which Bechtel is a member, and I have been a member of the Policy Committee of the Business Round Table, representing Bechtel, there emerged a relationship in a sense between the Business Round Table and a grouping of the Jewish organizations. We had a number of some sort of big meetings on the subject. At any rate, out of it there emerged a negotiating group, so to speak, some lawyers who were put in place by the two groups, and they worked and referred back and forth and so on, and eventually an agreement was reached that in the end we all thought was a good agreement.

It was reduced to writing, and if I am not mistaken, the Congress, perhaps with a sigh of relief—at least I got that impression at the time—took that language absolutely as it was worked out by the lawyers and signed on by the organizations involved, including Bechtel, and imbedded that into the law, which is in the law today.

Now, so far as Bechtel is concerned, we support that. Our procedures are worked out absolutely in accordance with the law. We have every reason to believe that we are doing things properly in accordance with the law that we have to participate in.

Senator SARBANES. Do you support that law?

Mr. SHULTZ. Yes.

Senator SARBANES. Do you think it is appropriate?

Mr. SHULTZ. Yes; I think it is a good law. It is not without its problems for companies doing business abroad, and you get some perverse little aspects to it. For example, we were thinking about doing business in a country that was boycotting South Africa, so we were asked about our business in South Africa, and we said, well, we are sorry, we will violate the U.S. law if we produce information about that.

So, I think it is an interesting thing to consider that it has its offshoots, but at any rate I think it has been a constructive contribution to resolving reasonably satisfactorily the issues connected with the Arab boycott of Israel insofar as U.S. firms are concerned.

Senator SARBANES. And if you are confirmed as Secretary of State, I take it you regard that question as, in effect, settled by this law, and will accept it as it now operates. Would that be correct?

Mr. SHULTZ. I wish it were settled by that law. One of the problems that we have is that there are two other laws of the United States that also bear on the subject. One is the Ribicoff amendment, so-called, of the Tax Code, and the other, of course, is the antitrust law. So the Commerce Department has a law it administers. The Treasury Department has a law it administers, and the Justice Department has a law it administers, and it can be a little confusing at times.

I think myself, just to tell you my view of it, but I do not think this is an appropriate thing for me to be getting into particularly

as Secretary of State, but my opinion is that a great effort was made by all the interested parties to work out what became a section of the Export Administration Act, and in the interest of what everybody here talks about, consistency, predictability, and so forth, we ought to have a law that is on that subject. That is the one that got all the attention, and let that be the ruling statute on that subject.

Senator SARBANES. But you accept the antiboycott legislation. Is that correct?

Mr. SHULTZ. Yes; I do.

Senator SARBANES. You would do so as Secretary of State?

Mr. SHULTZ. Yes, sir.

Senator SARBANES. Would it be fair to say that other Bechtel officials, if asked that question, would like to see that law changed in some respects?

Mr. SHULTZ. Well, they will have to speak for themselves, but I do not hear any talk around Bechtel that an effort should be made to change that law, no. I might say that after that law was passed, Irving Shapiro and I and our wives were invited around and we went to Saudi Arabia, to Jordan, and to Israel together. I think Irving would corroborate the fact that we were given high marks in all the countries that we went to. They expressed their appreciation for the work done.

Senator SARBANES. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Senator Sarbanes.

Secretary Shultz, Senator Pell and I have agreed, in order to save hearing time, that a great many questions pertaining to routine relationships will be submitted to you to be answered for the record. We will submit those questions as quickly as we can so as not to take the time of the committee.

Senator Kassebaum.

Senator KASSEBAUM. Thank you, Mr. Chairman.

Mr. Shultz, I would like to follow up on Senator Helms' questioning regarding our policy in Central America. But first, because it hasn't been raised yet, I would like to ask you about a report I heard on the news this morning which I found very troubling, and that is the purported amassing of troops on the Iranian border prepared, evidently, for a major attack on Iraq.

Could you share with us some information regarding that, and if, indeed, this is an imminent assault, an attack on Iraq, how do you see this affecting our negotiations regarding the conflict in Lebanon?

Mr. SHULTZ. I don't know what the intentions of the Iranians are. From what I have seen, it is a fact that there are troop concentrations there, and we can all read the statements made. I would not want to predict what will happen, but it is obviously a potentially explosive situation.

From the standpoint of the United States, I believe it is unfortunate. Perhaps that is not a strong enough word. It is not at all desirable that we have a situation where one country is invading another, just as I think it was unfortunate when it was the other way around. So our stake, I think, is in the sanctity of international borders. That is what we should stand for there.

It is worth noting that we do not have diplomatic relationships with either Iran or Iraq, although we do have a few people in Iraq. So I think that suggests that we are not the most influential country with those two countries.

Senator KASSEBAUM. Do you see other nations getting involved?

Mr. SHULTZ. I would hope not, although those events are of great concern to other countries in the gulf and in that region. While there is a tendency to focus on the Arab-Israeli dimension of problems in the Middle East, this reminds us that there are many other problems and concerns that some of our Arab friends have other than their conflict with Israel.

Senator KASSEBAUM. Thank you.

Regarding Central America, certainly I think we have to deal with the realities of the situation as they are there, but past policy has tended to regard Central America as a proving ground for East-West strategy to a certain extent. Within that framework, we had a confrontational attitude, on one hand, and on the other, certainly this administration has stressed that a political solution, just as you made mention, was, of course, the desire of the administration, particularly regarding El Salvador and any of the conflicts there.

I think a confrontational viewpoint obscures frequently the need to recognize that economic and political and social injustices simply only create the unrest that doesn't lend to any stability.

It has been reported that combat in Central America has increased to the point where there is fear now of a regional breakout in fighting. Do you see any validity to those reports and that concern?

There are a couple of questions that I would like to ask you to respond to also. How do you feel about negotiations with Nicaragua? Do you feel we should lend support to Mexico and Venezuela in taking a leadership role in working within the regional situation? Exactly what structure do you think can best serve us now in shaping policy in Central America?

Mr. SHULTZ. Well, you have asked me a lot of questions at one time. Perhaps my best way of responding is to state the situation as I see it and express my own views about the nature of our preferred response to that situation.

I think, unfortunately, there is a military dimension to the problems of Central America, and these involve the flow of armaments that essentially come via Cuba from the Soviet Union, apparently to Nicaragua and thereby into various guerrilla hands and become quite a destabilizing force, whether you are talking about El Salvador, Honduras or wherever you are talking about. I think that is an apparent fact of life. It is undesirable. We have to support the notion that military upsets of those countries are not in our interest and we should support deterring them.

Now, having said that, I agree with you that we need to work toward the establishment of legitimate governments, governments that have the support of the people as evidenced by an election, as happened in El Salvador—and if I am not mistaken, you were an observer of that election so I would be glad to be instructed by you on what you saw—but to construct a stable government that has

the support of people and to help set the environment so that economic development can take place.

At least it is my observation that if you can do something about the depressed conditions in many of these countries and give people the hope that there is somewhere to go, many times severe problems will start to drop away. So I think in a sense that is the ultimate way of solving the problem, but you can't get there if it is allowed for armaments to be coming in for the kind of guerrilla warfare to be taking place or for us to wind up supporting the idea that people should be able to shoot their way into a government.

Senator KASSEBAUM. Do you see any hope for some type of regional arms control? I am going back to my asking you if you saw a role for Mexico or Venezuela in trying to be a force that would bring Nicaragua, El Salvador, Guatemala, and Honduras together?

Mr. SHULTZ. If we could have a diminution in arms and really see it carried out, I think that could be constructive. Certainly the good offices of Venezuela and Mexico can be important there. They have a lot of credibility and they have a big stake, as we do, in that region.

I think we, on the one hand, think of Venezuela as a South American country, and it is, but if you look at the map, you see readily that it is a Caribbean country, too, and has a great stake in what goes on in the Caribbean and Central American region.

Senator KASSEBAUM. You spoke in your opening remarks about support for the Caribbean Basin Initiative, and I would agree that the long-term aspects of trade are very important as spelled out in that initiative. But it is, I think, cause for some analysis. We reflect on the fact that the Alliance for Progress spent some $20 billion over a 10-year period in Central and South America, and a large share of it in Central America went to El Salvador and Nicaragua and Guatemala, and there is little in results, it seems to me, to show for those efforts.

It has been my concern regarding the CBI that if we just count on that as a vehicle, and it is a modest one, really, at that, that we should be giving emphasis to the importance of building up some infrastructure, with education and small business playing a leading role; otherwise, are we just giving further money that is not going to be of any real benefit?

Mr. SHULTZ. I think the problem of how to bring about economic development in a country that has not advanced industrially is a difficult problem. People have thought about it and worked at it. I don't suppose anybody could feel that they know the answer and here is exactly how to do it.

But it does seem to me that reflection on our history and the long history around the world and recent experiences around the world shows that aid of the kind offered in the Caribbean Basin Initiative can be an important catalyst. But the fundamental of economic development has to spring from within the country involved, and at least in my observation, most productively when that is in the framework of private enterprises and markets, of course drawing on a reasonable infrastructure and the kind of stability that only government can provide. That is the sort of setting that seems to bring about economic development.

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So I think that the funds requested should by no means be in a sense the total focus of attention. It is more what might be stimulated by the environments that those funds will help create. That is the thing we should be taking a look at.

Senator KASSEBAUM. Do you believe that the land reform program is an important element of improvement in El Salvador?

Mr. SHULTZ. I understand that the land reform involving the large estates is basically in place and working reasonably well, in some cases quite well, in other cases not quite so well, and I am speaking of estate by estate, but on the whole, it is successful. As I understand it, what is called phase 2, the intermediate size properties, it is almost universally agreed was a mistake and should never go forward, and it is not going forward. That is not an issue.

The Land to the Tiller program did have a setback, but as I understand it, the titles are being issued and that has a good chance to fly. So those programs are going forward and we hope they will be successful.

There are other reforms in the picture that, at least from my perspective, are reforms we could do without. To me it is not a reform to insist on nationalizing the bank. So if we don't have that reform, I would put that down as a plus, not a minus. But at any rate, that situation has to be judged and I understand that there will be the necessity for a statement about it before long, and I will want to participate in it.

Senator KASSEBAUM. Thank you very much, Mr. Shultz. My time is up.

Before I relinquish the microphone, though, I have a statement from Senator Dole, my senior Senator and colleague from Kansas, welcoming you before the committee and expressing his great admiration for your dedication, intelligence, good judgment, and good sense.

I would like the full remarks to be made part of the record of the hearing this morning.

The CHAIRMAN. Without objection, they will be entered in the record at this point.

[Senator Dole's prepared statement follows:]

PREPARED STATEMENT OF HON. ROBERT DOLE, A U.S. SENATOR FROM KANSAS

Mr. Chairman, I welcome with great pleasure the Senate's confirmation of President Reagan's appointment of George Shultz as Secretary of State.

Those of us who have had an opportunity to work with him during his many years of Government service in the past—expecially when he served as Secretary of Labor and as Secretary of the Treasury—have been deeply impressed by his outstanding qualities of dedication, intelligence, good judgment, and good sense. Our country has already profited very substantially from the contributions he has made not only in public service but also as an energetic businessman and as a teacher.

In his new capacity as Secretary of State, George Shultz will provide a firm and consistent right hand to the President, who also has known him well for many years. I am confident that the process of formulating foreign policy, with all of its personal as well as institutional complexities, will move forward smoothly with his participation.

Beyond his substantive expertise and his wide personal appeal here at home, George Shultz has also won the confidence and the friendship of many officials in other countries, in Europe and elsewhere, with whom he will be working as Secretary of State.

This asset will, I am sure, be of special value as we work to overcome some of the many quite serious differences of view and differences of approach that have recent-

ly emerged in our relations with these countries, especially in the area of international economic and trade policy.

George's particular skill in this area—and his close personal involvement in economic policy issues on a very current basis as a result of his active participation in preparations for the most recent economic summit in Versailles in June—is one that has become increasingly important for a Secretary of State to have. Foreign economic and monetary policy matters have become increasingly linked to the more traditional political and security aspects of our overall foreign policy, and this linkage is also growing in the foreign policies of all the countries with which we must deal. In the effort to sort out these difficult linkages and relationships, and to establish a firm and effective foreign policy that embraces all these issues. The contribution that he will make will be of the highest importance to us.

It is a difficult world, and a difficult moment, that we face today with negotiations underway on strategic arms control with the Soviet Union, with a painful conflict in the Middle East and the risk of even more widespread violence to come, with deep strains in our relationships with our allies especially in the area of economic and trade policy. George Shultz will face as difficult a task as any Secretary of State has ever confronted, but I welcome him to his new field of endeavor and look forward to working closely with him.

THE CHAIRMAN. Thank you very much.

Senator Tsongas.

Senator TSONGAS. Thank you, Mr. Chairman.

I would start off by saying, Mr. Shultz, I came in here intending to vote for you. Nothing that you have said has altered that feeling at all. You have been a remarkable example of damage control. The line outside, I am told, is to the door. When Secretary Haig was here, the line increased as the testimony went on. With you, it is diminishing rapidly. [General laughter.]

I think that is a successful performance.

Mr. SHULTZ. Don't mess it up, Senator. [General laughter.]

Senator TSONGAS. Well, let me try. [General laughter.]

You were pictured recently playing golf in western Massachusetts where you have a summer home, so let me pursue the golf analogy with you, if I might.

In Evans' and Novak's column of yesterday, an administration official signaled distress over what he referred to as Begin treating Reagan as his caddy. Now, let me raise two particular issues. Are you opposed to the Israelis going into West Beirut?

Mr. SHULTZ. Yes. I think that would be an unfortunate thing and I hope that can be avoided by the negotiations that are going on.

Senator TSONGAS. Is the administration opposed to the Israelis going into West Beirut?

Mr. SHULTZ. As I understand it. I am not part of the administration. I am not here speaking for the administration. But I believe that is the case.

Senator TSONGAS. And if they do go into West Beirut and they say, "So what?"—your response would be?

Mr. SHULTZ. Well, there are various things that I think the Secretary of State is required to send to the Congress having to do with the use of weapons by any country that we provide with weapons, and as I understand it and Senator Percy brought out, there is a report due you that hasn't come yet, and that is something I will have to pay attention to when I get in office, if I do.

Senator TSONGAS. If Israel were to go into West Beirut, will they pay a cost in terms of their relationship with the United States?

Mr. SHULTZ. I think that the problem, I am sure as much as a problem for Israel as for anybody else, is that there are many civil-

ians involved, and the problem escalates very rapidly when you go into a big city. It is bad enough in the countryside, but when you go into a big city, the noncombatant casualties mount up very, very rapidly. So I think that the sense that there is around the world and that I personally feel is that the number of people who have lost their lives or who have been wounded or displaced, you cannot help but react to that, and I am sure that people do in Israel as well. They don't want to do it, I don't imagine.

Senator TSONGAS. Has President Reagan called any Israeli leader in the last week or so to indicate his opposition to Israel's going into West Beirut? Do you know?

Mr. SHULTZ. I know there have been some diplomatic exchanges. As I have said here, I am not part of the decision loop at this point and I am aware of some things that are going on but I am not necesssarily fully posted. I have tried to be. I have a stack of books that have been provided me to read on all of these subjects that we are talking about here, and I have been really concentrating my attention on trying to get up to speed and get somewhere near where you people already are. That is where my attention has been.

Senator TSONGAS. When Prime Minister Begin had his now-famous session with members of the Senate Foreign Relations Committee and others, after a rather rough going between the parties he said, "I have met with the President and I have his support," or something very close to that. He certainly walked away with an impression from his meeting with President Reagan that he did indeed have his support. The President did not raise the issue of cluster bombs, he did not raise the issue of the use of defensive weapons offensively, et cetera.

Do you think that was a wise approach by the President, not to raise nettlesome issues?

Mr. SHULTZ. I don't know that that is correct, that the interpretation you have given is a proper representation of the meeting, if I, in my reading of this, am registering on the right meeting. But I am not in a position to make any statement about that meeting.

I do know that the administration opposed the movement of Israeli forces into Lebanon. The administration has voted in the United Nations for a cease-fire and withdrawal. So I think the position is formally clear enough.

Senator TSONGAS. Prime Minister Begin also said when he met with us, and this is now in regard to the West Bank settlements, he said: President Carter used to tell me that the settlements were illegal and an obstacle to peace; President Reagan tells me that they are neither.

Mr. SHULTZ. What President Reagan has said, I believe, is that they are not illegal. As I look at the situation, and I am just speaking for myself here, I cannot feel that those settlements in the volume that they have taken place, and we have no statement from Israel that they have reached their conclusion, I don't think that is constructive in the effort to bring about some sense of identity for the Palestinians.

It is not, I suppose, even particularly the number of people involved in the settlements, but as I understand it, there is some 30 percent of the land used by them and other aspects of Israel's work

in that area, and some 40 percent of the water, water being of central importance. And if we are going to meet the problems of the Palestinians, certainly the West Bank and Gaza are going to be a part of the terrain on which that is going to be done. So that is my opinion about it.

Senator TSONGAS. But I don't understand who in the Administration is going to be tough enough to tell the Israelis that there has to be some change in their policy in the West Bank. Sharon clearly has no intention of living up to the Camp David Accords. Your President tells them what they are doing is not illegal. Who in the administration is going to reject the caddy relationship that now exists? Is it going to be you?

Mr. SHULTZ. I have made an effort in my opening statement and in my comments to be as candid as I can and direct as I can about my own feelings, in part because people have raised questions about my capacity to be objective in this case, so I have wanted you to know what I think going in.

Senator TSONGAS. I am more concerned what you are going to think coming out.

Mr. SHULTZ. I am sure that any efforts in this arena are going to benefit from and be in part a reflection of the kind of support that they can command in this committee and the Congress and throughout the country, so your own attitudes are very interesting to me. And I take it by implication you have laid them out here. You question those settlements. Am I correct in inferring that?

Senator TSONGAS. You certainly are.

Mr. SHULTZ. OK.

Senator TSONGAS. I think what is going to happen in the Middle East, especially if the Israelis go into West Beirut, is the spawning of a generation of terrorists. I think it is going to hurt the United States, I think it is going to hurt Israel. I think it is going to hurt everybody in the process except the Soviets.

When you met with me you were very clear about the need to take a tough, firm stand vis-a-vis the Soviets. I am asking that you take the same rather strong stand with our friends. Tell them that certain things are not in our interest and not in their interest. I think we will all be better served.

I think that if one is truly loyal to Israel, one has an obligation to indicate that there are excesses. It is a lot easier not to say that, I can tell you, having been outspoken the last month or so. But I think that is the higher responsibility, not to simply acquiesce to everything that is being done by any foreign leader. We don't do that with anybody else, we should not do it with Israel.

Would you care to comment on that?

Mr. SHULTZ. Yes; I would like to make a comment on that because it seems to me that we also must place an emphasis on the positive possibilities and on the benefits of peace, and they are immense. It can be a much better world over there if a reasonable settlement of these issues can be worked out, not simply a lessening of the burden of armaments but a far better use of water, which is so critical in that area and which can only really be used if it is a kind of joint enterprise.

I had two experiences that have affected me deeply in my estimate of the underlying feelings in Israel. One happened to me

when I was dean at the University of Chicago. We had a student there that my wife and I saw a fair amount of because we typically gave a little party at the end of each quarter for the students who were on the so-called dean's list, the people who did the best, and there was a young man, and his wife came with him, of course, who was always on that list.

His name was Joseph Levy. He was an Israeli studying there. He was to me not only an extraordinary student but a wonderful person with such promise. The 1967 war came along and he was gone like a shot. He left and went back, and it was almost as though only a moment passed when we got word that he had been killed. I will never forget it. I feel emotional about it right now. He was such a wonderful person.

So I look at statistics, and I brought some statistics along about the casualties, but to me statistics are one thing, but it comes down to a human being, an individual, in this case a very wonderful one.

The other instance had to do with the journey that I mentioned in response to Senator Sarbanes' question about the Arab boycott, and the trip that my wife and I took with the Shapiros. By chance, because the trip was scheduled some months in advance, we happened to go through that area shortly after President Sadat's first visit to Jerusalem but before anything else had happened, so of course there was a sense of excitement about it.

And I suppose the thing that I recall the most vividly in Israel was the numerous occasions when we were invited to homes or parties of one kind or another where we were sitting around with families, and the sense that you got, particularly from the women, that there was a sudden shift in the whole psychology; that we had lived with the idea that war was inevitable, that there wasn't any other way, and all of a sudden, with President Sadat's visit, suddenly peace, if not probable, was at least possible. You could see it, the tremendous impact that that had.

So all of this is simply to get around to the idea that obviously—you urge tough talk and so on and so forth, and no doubt there is a great deal in what you say, but I believe that there is in that troubled part of the world a yearning for peace that is very deep, and a recognition of how much better off we will all be and they will be if we can attain a peace.

I say that fully cognizant of how difficult it is and how many issues there are and so on, but the objective is so important and so beneficial that I think, as the Chairman suggested in the beginning, it is certainly worth our best shot.

Senator TSONGAS. Let me say that there are a lot of Joseph Levys in that part of the world whose lives will hang in the balance in terms of how well you do your job. In that respect, we support you and you have our assurances. I hope that the vacuum in the leadership that I perceive will be quickly filled when you are confirmed.

Thank you.

The CHAIRMAN. Thank you very much, Senator Tsongas. I know that we do sometimes tend to overemphasize statistics, but I would like to report that Ambassador Moshe Arens from Israel, when he appeared and met with us recently, spoke with deep feeling of the 300 Israeli soldiers whose lives have been lost. The Lebanese am-

bassador from the United Nations met with us the next day and spoke with deep mourning and feeling about 10,000 noncombatant lives that at that time had been lost, updated now to 14,000. The 10,000 we have confirmed as an accurate figure. The 14,000 we have not yet been able to confirm.

On the point of the settlements, I did say to Prime Minister Begin, when he was here, that both Senator Javits and I strongly supported a unilateral statement, an unequivocal pledge by Israel that would be dramatic, now, that there will not be any further settlements made in the West Bank, in Gaza, so long as full autonomy talks are underway. There must be a resolution, as you have said many times, to the Palestinian problem.

Thank you.

Senator Pressler.

Senator PRESSLER. During the AWACS debate, it was alleged that your company lobbied for the AWACS sale.

Was that true?

Mr. SHULTZ. I and others in my company supported the President's decision and the sale of AWACS to Saudi Arabia, and we made that known to people. Just to be sure that it was known, we had our manager of our Washington office, who is registered as a lobbyist, write to I believe each Senator and express our point of view.

Senator PRESSLER. At that time, I heard from several people across the country who appeared to be contractors or subcontractors. I also heard from the Governor of my State, after I had made a decision to vote for AWACS. There is nothing wrong, I am sure, with Bechtel's lobbying, but I am just trying to reconstruct the facts.

Did your company actively urge its business associates working in different parts of the United States on domestic projects, and your contractors and subcontractors, to contact public officials regarding the AWACS sale?

Mr. SHULTZ. We made no secret of our point of view. In fact, we were glad to express our point of view, as any American expresses here.

Senator PRESSLER. But what specifically, what specific——

Mr. SHULTZ. But we did not go around twisting people's arms, using our relationship with them to try to get them to do something or other that they might not want to do. We do not go in for that.

Senator PRESSLER. Did you do mailings? I am just trying to get at what steps did you take within the firm, and as I understand it, you were the head of the firm then—what steps did you take to get the information out or to contact people?

Mr. SHULTZ. I do not think we took any particular steps. We did not have an organized, systematic campaign of any sort, but the principal, specific thing that we did was to have the letter written that I mentioned and of which you probably got a copy.

Senator PRESSLER. Yes. I am well aware that you were publicly committed to it, but I was wondering what steps you took as a corporation to advocate this point of view besides that, or maybe there were none.

Mr. SHULTZ. Senator, I think that is the principal step we took. The subject was a subject that people discussed a lot, as you know, not only here, but elsewhere around the country, and we took part in those discussions and expressed our views as other Americans would.

Senator PRESSLER. Certainly, and there is nothing wrong with that.

Did you do any letterwriting?

Mr. SHULTZ. I would say there is not only nothing wrong with it, there is everything right about it.

Senator PRESSLER. That is right. But I am just trying to define what steps you took within the firm? Was there a letterwriting effort? Was there information sent to various managers on it, or was it just sort of disseminated informally?

Mr. SHULTZ. I think the latter, but if there were pieces of paper around, they were not featured.

Senator PRESSLER. Could you check and provide the committee a brief statement on that later, if there were any internal organized efforts or letters or cables or other information, however it would be done within a company, in terms of advocating the AWACS sale—and I am not saying that there would have been anything wrong with it. I am just trying to understand better how a company as large as Bechtel reacts—and there is nothing wrong with the company taking a position, but I want to know internally what was done.

Mr. SHULTZ. I do not know whether anybody can really say in an authoritative way. If you would like me to ask our general counsel, or Bechtel's general counsel to make a statement for the committee, I will be glad to do that.

But I think that basically there is not much—not that much there, and the principal thing that we did is the one that I mentioned, and we did it that way because we wanted you all to know what we thought, for whatever that was worth to you, and we wanted to do it in a proper way, and we thought the proper way was to write a letter on the record and have that letter go from the person in our organization who is registered as a lobbyist with the Congress.

Senator PRESSLER. Yes, well, I agree with that, and I got the letter, and I appreciated it very much.

But what I am saying is, then, you are saying that there was no additional effort in the firm to contact people that you have in the different States, such as subcontractors—that there was no organized effort within your company other than that letter to work on the vote on AWACS.

Mr. SHULTZ. I am picking you up on the word "organized." We did not have a big effort and a lot of money appropriated and so on. However, I and others supported the President's decision, and as it turned out, the majority of the Senate did, too, and whenever we had an opportunity to let anybody know about that, or if there was an argument about it, we would pitch in.

But I cannot remember every time that anybody did that or issue a statement that says here is one, two, three.

Senator PRESSLER. Another subject that is of great interest to me, and it has been mentioned before, is the long-term grain agreement

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with the Soviet Union. I recently returned from there, and I am an advocate of a 15-million-metric-ton agreement. We presently have about an 8-millon-metric-ton agreement with them, and I would be perfectly happy to hold up such an agreement if it were an across-the-board embargo or if I felt strongly that there could be concrete results from it in terms of altering the Soviets' behavior.

I know that Secretary Block has been arguing in the Cabinet for an agreement and yesterday went to the President, and I praise Secretary Block for that. I think he is doing an excellent job on this particular subject. Have you thought through your own position on this and will you become an advocate for a long-term grain agreement?

Mr. SHULTZ. I think basically if we can have the right kind of relationship with the Soviet Union, that is a highly desirable thing to develop. I thought about that subject when I was in the Government before, and it has been an important enough issue that I have reflected a little bit on it since I have been back here in Washington.

I cannot say that I have now come to my conclusion. My mind is still trying to assimilate things. You have to remember that a little over a week ago I was a businessman in London trying to do my job, and all of a sudden, here I am, and I am trying to get up to speed, and it is not easy.

Senator PRESSLER. Another subject. As chairman of the Arms Control Subcommittee, I have been concerned about the nuclear power industry, and I know that Bechtel Corp. has held a predominant role in the construction of nuclear facilities both in the United States and abroad.

Do you, as the president of a company recognized as a major builder of nuclear powerplants here and abroad, believe that this experience will influence your decisionmaking on nonproliferation issues?

Mr. SHULTZ. I think I can address those issues as a citizen, as a person who is concerned as anyone about the problem of proliferation. It is a big and important issue. I think we all start with a firm recognition and full recognition of that fact.

So that is where I start from.

Senator PRESSLER. But based on your association with Bechtel, do you believe there would be any situation in which it would be appropriate for you to disqualify yourself from making decisions on nonproliferation issues?

Mr. SHULTZ. Well, I do not know quite what a nonproliferation issue is, so I certainly would not make some sort of blanket statement like that. In fact, I would certainly not read myself out of any participation in discussion of that subject. It is too important a subject, and if I am not qualified to take part in a discussion of nonproliferation, I am not qualified to be Secretary of State; you want somebody else.

But as far as anything to do with Bechtel, that is, if Bechtel makes an application to the Government to do something or other, whether it is in that area or any other area, I have already stated to the committee that I am prepared to sign a statement which you have and that would be executed immediately upon my being Secretary of State, if I am confirmed, that removes me from anything

that in the law is defined as a particular matter, which I take it means anything that Bechtel, is a direct Bechtel application, I would not have that come to me. And I would instruct the Deputy Secretary to set up a procedure so that I do not even know about it.

Senator PRESSLER. Yes.

For example, I understand that in the mid-1970's, Bechtel sought Federal authority and subsidies, together with other firms, to engage in the enrichment of uranium.

Could you tell the committee about this effort, its objectives and outcome, and if you had to rule on—that is the sort of a nonproliferation issue that I am talking about—if you had to make recommendations, would you feel uncomfortable?

So this is a two-part question here. First of all, is that true, and would you describe it for the record. And second, would you feel uncomfortable in ruling on—either an administrative ruling or a recommendation to Congress—such a subject as enrichment of uranium and its sale abroad or dispersal abroad?

Mr. SHULTZ. I would not feel uncomfortable abroad about taking part in issues having to do with the nuclear fuel cycle. As a general proposition, I think it is a matter of great importance in this country and abroad, and the Secretary of State ought to be concerned about nuclear proliferation and working on it. And as I said before, if you do not think I am qualified to take part in those discussions, you want another guy or gal.

Now, as far as the effort that you mentioned, I will be glad to describe that as I remember it, and it started long before I came to Bechtel, and ended I think in 1976, if I am not mistaken.

But in the early days of the Nixon administration, in an effort to privatize things, a decision was made—I was not a part of it. I was the Secretary of Labor at the time—to encourage private companies to undertake the job of enriching uranium for the use of nuclear powerplants. I imagine that the reason was there was a budget crunch, like always, and the Government was doing that, is doing that, and so this seemed like something to do. At any rate, that was the Government's policy.

And Bechtel was one of the companies that responded to the Government's invitation, and it formed a consortium of other countries which was called Uranium Enrichment Associates, I believe was the name of it, and Bechtel was involved, and pursuant to the Government's invitation, developed a proposal.

Now, if you are going to get an enterprise like that off the ground as a private venture, you have to have, for anybody to loan you any money, some kind of assurance that the Government is not going to suddenly pull the rug out from under you after you have spent a billion dollars or so by changing its mind. So you seek to have some sort of guarantee of that.

And to get that, some legislation was proposed. And I do not remember precisely what it was. But at any rate, in the end the Congress declined to go along with that legislation, and so the Uranium Enrichment Associates folded up, and Bechtel, along with the other firms, pursuant to a request of the U.S. Government dropped a little money down the tube. But so be it.

I would say in the process, however, Bechtel did learn, or individuals in Bechtel did learn a bit about the nuclear fuel cycle and that has been an asset to the company.

Senator PRESSLER. My time has expired.

The CHAIRMAN. Thank you, Senator Pressler.

Mr. Secretary, with your indulgence, we would change the hour of adjournment from 1 o'clock to 1:10 or 1:15 so that we can finish the first round of questions unless either Senator would prefer to hold over until we resume again at 2 o'clock.

You would both like to continue now?

[Pause.]

The CHAIRMAN. Senator Cranston, you are recognized.

Senator CRANSTON. Thank you, Mr. Chairman.

Mr. Shultz, we are all quite aware of the plethora of stories circulating about the Bechtel Corp. and how its policies in such fields as nuclear export policies and Middle East issues might relate to those you personally would advocate as Secretary of State. I want to make plain that I reject the notion that simply because a corporation is big and privately held, it is therefore sinister. Bechtel is a remarkable concern with a record of growth and success in the business world that is virtually without parallel. It has built and is building some of the modern wonders of our technological industrial age.

While I personally do not agree with Bechtel's priorities in the nuclear field and in Middle East politics, I see this as no reason in itself to encumber your present nomination, but I want to be very clear in my own mind as to where, as Secretary of State, you would part company with past Bechtel practices such as participation in the Arab boycott of firms doing business with Israel and the solicitation of exports of our most sensitive nuclear technology.

The spread of nuclear weaponry around the world is plainly one of the greatest hazards to our national security and indeed to our survival. The scenario that many feel would be most likely to produce a nuclear holocaust between ourselves and the Soviet Union would be the beginning of another conflict with other nations using nuclear weapons in a conflict that would spread and engulf us, engulf the Soviets, engulf the whole world. Plainly this is one of the most important matters confronting our country, and plainly the development and support in a sustained, intelligent way of a sound policy to deal with this problem would be one of your greatest responsibilities as Secretary of State.

In 1975 when you moved from executive vice president to president of all Bechtel operations, Bechtel officials critically undermined at that very time efforts by President Ford and Secretary of State Henry Kissinger to convince West Germany not to sell Brazil sensitive uranium enrichment and plutonium reprocessing technology. At the very time that State Department officials were in Bonn trying to halt such dangerous nuclear proliferation, Bechtel officials, the organizing force behind an international consortium called Uranium Enrichment Associates, were secretly offering the Brazilians "the entire gamut" of nuclear enrichment and fuel-processing technology.

The correspondence on this, including the March 21, 1975 and the April 14, 1975 letters from Bechtel business development man-

ager John A. Damm to Shigeakai Ueki, Brazilian Minister of Energy, and to one J. A. Majalhes, head of Nuclear Brazil, was uncovered by Senate investigators while we were busy tightening U.S. nuclear export laws. The effect of the Bechtel action was to undermine U.S. efforts to curb the spread of nuclear bomb-making technology in this hemisphere. Bechtel, in effect, undercut the State Department and weakened our diplomatic efforts with West Germany.

My first question is, were you aware of or involved in any of those events at that time?

Mr. SHULTZ. First of all, Senator, let me say that I resent what I regard as a kind of a smear against Bechtel. I think it is a marvelous company, an honorable company, a law-abiding company, a company that does credit to our country here and all over the world.

Now, first of all, about your implication——

Senator CRANSTON. Well, let me——

Mr. SHULTZ. Well, now, wait a minute. You had your say. Let me have my say.

Senator CRANSTON. All right. I said that I have great respect for the company. I have questions about one pursuit of policies by that company at one particular time.

Mr. SHULTZ. You inferred that Bechtel continues—that Bechtel violates the law insofar as the Arab boycott is concerned. That is not correct. Bechtel abides by the law. Bechtel has made a tremendous effort to construct procedures that are as airtight as they can be to abide by the law that this Congress passed and basically put those procedures in effect pretty much when President Ford stated his view of how United States companies should conduct themseves, and in the process changed the procedures being used by Government agencies themselves.

So in your question you said will I part company with Bechtel and not encourage violation of this law, I just reject that. Bechtel abides by that law.

Now, as far as the nuclear technology and that incident in Brazil is concerned, I heard about that long after the fact, but that was an overenthusiastic business development person. I do not know whether you have ever been in a company and had to do with salesmen, but salesmen are always enthusiasts, they are always wanting to sell, and so this letter came from a middle-level official who wrote that to Brazilian officials offering Bechtel's service.

It was not followed up or in any way pushed by the company as a company

And there is no effort at all, ever, to undercut the policies of the United States by Bechtel.

Senator CRANSTON. Were you generally aware of Mr. Damm's discussions with the Brazilian Government?

Mr. SHULTZ. I was not, no.

Senator CRANSTON. We are talking about what was potentially a very large business venture, are we not?

Mr. SHULTZ. Well, in response to Senator Pressler's question, I tried to relate what happened to Uranium Enrichment Associates, which was the handle that you used here, and it has long since deceased. It was an effort to respond to the invitation of the U.S. Gov-

ernment to try to do something in this field, and it did not succeed. And in the process, Bechtel lost some money. But that was not undercutting the Government; that was responding to the Government.

Actually, I do not think Uranium Enrichment Associates had anything to do with the Brazilian thing, although I may be wrong in that.

Senator CRANSTON. Well, American policy carried on by Secretary Kissinger at the request of President Ford, was to seek to persuade West Germany not to sell this technology to Brazil. The letter of March 21, written under the Bechtel Power Corp.'s stationery by John A. Damm, business development manager, stated among other things, "UEA can offer Brazil for the entire gamut, from the development of the mine, ore processing, enrichment, fuel processing." This was a multi-billion dollar potential transaction involving transfer of sensitive nuclear technology.

I am not suggesting a violation of the law. I did not suggest that, incidentally, in regard to the Arab boycott. I will get back to that later. But I did not use the words "violating the law." You used those words.

In 1975 were you aware of the U.S. Government's policy regarding keeping this nuclear technology out of Latin America?

Mr. SHULTZ. Whether the person that wrote the letter, Mr. Damm, whether he was aware of it, I do not know. I was generally aware of this issue. I considered the effort of Mr. Damm inappropriate, and it was stopped.

Senator CRANSTON. Would you provide for the record, not now, obviously, the supervisory structure between yourself in your role at that time in the corporation, and Mr. Damm?

Mr. SHULTZ. Well, I can say what it is.

I do not have to do research about it.

In 1975, by that time was I president of Bechtel Corp. or executive vice President, one or the other? You say I was president, the man who is nodding his head back there.

At that time, there were three companies. One was called Bechtel Corp.; another called Bechtel Power Corp.; another called Bechtel, Inc., through which our engineering and construction and other business was done. Bechtel Corp. was the company in which these investments were emerging and in which one of our divisions, mining and metals, was located, and in which the corporate services were located, and those represented the main lines of my responsibility at the time.

I was also an officer of Bechtel Power Corp., but not in the direct line responsibility other than being generally responsible, as any member of the executive committee of the company as a whole would be.

Senator CRANSTON. Would you be committed to vigorous implementation of U.S. laws and sanctions against the spread of nuclear enrichment and sensitive reprocessing technology in your role as Secretary of State?

Mr. SHULTZ. I will always examine those issues and of course abide by the law. I believe that we should be willing to sell enriched uranium to countries abroad. We have been doing it. We have encouraged them to develop nuclear power themselves, and in

the process of doing that, we do have some undertakings with regard to the use of spent fuel and their rights to reprocess it, and I believe, or I know the President has issued some points about that recently, long before I came, with which I agree.

But certainly I agree the issue is a very important one.

Senator CRANSTON. The real issue is the spreading of sensitive technology that can be easily transformed, once acquired, into bomb production.

Where do you stand on that particular aspect?

Mr. SHULTZ. I think that has to be safeguarded very carefully.

Senator CRANSTON. How?

Mr. SHULTZ. By being careful about where it goes and the conditions under which it goes, and trying to create a diplomatic structure for the control of it.

My observation is that in the last few years we have sort of taken ourselves out of the action and we have to remember that we do not have any monopoly of knowledge about these matters. Other people know how to build and develop. So we need to be a part of the process, and I think we are getting to be part of the process.

We are alienating Japan and Germany, and we are better off to be working with those countries, and in the process of working out our arrangements with them, have them agree about what they are going to do and not do with this sensitive technology.

Senator CRANSTON. The question is, How do we stop others from selling imprudently if we sell imprudently ourselves?

I recognize the competitive problems that we face in this field, but what we require is American leadership that seeks to restrain others and exercises self-restraint on our own part, as well.

I see that my time has expired, Mr. Chairman.

Mr. SHULTZ. Well, if I could cut into my own time or whatever, Senator, I think we have to be very careful with this technology and see that it does not fall into hands that are undesirable, and that means working with others who have the capacity to do that and getting them to agree with us. And on the whole, I think, nobody wants to see it spread around.

The CHAIRMAN. Senator Cranston, thank you.

Senator CRANSTON. Thank you.

The CHAIRMAN. Finally, Senator Dodd.

Senator DODD. Thank you, Mr. Chairman.

Thank you, Mr. Secretary.

I first of all want to congratulate you on your nomination and wish you well. I was interviewed this morning and I indicated that I did not think you would have any difficulty in winning Senate confirmation and having listened to your questions, at least in this first round this morning, I am impressed by your responses, and I am confident the committee will confirm your nomination.

Mr. SHULTZ. I would expect you to be complimentary about the questions, but I hope the answers were all right. [General laughter.]

Senator DODD. I am sure they will be.

I came back from the Middle East last night with Senator Levin of Michigan. We spent several days in Lebanon and in Israel and I will tell you, which you are probably already aware of anyway, there is a sense of optimism about your nomination. There are a

lot of questions about it, I might add, as well. The people are very interested in your views on that part of the world, and I would like just for a second or so to share some general observations and then raise a couple of questions.

I realize you are sitting here today as a private citizen, a nominee, but still a private citizen, and therefore it is difficult for you to express administration views, and I respect that. I think it would be educational and beneficial for all of us if we might try to extract some personal views, as well, as you are about to assume the official capacity of Secretary of State.

First of all, let me just mention to you, Mr. Secretary, that one of the things that has disturbed me—and I will have to admit ignorance on this as well—having visited Lebanon for several days, we have heard great discussions, numerous questions raised about our interests, obviously, as they are affected by the events of the last month or so, numerous questions about Israel's interests, the PLO's interests, Europe's interests, the Arab world's interests, but what seems to be lacking is what you pointed out in your opening statement—and I congratulate you for it—and that is the interests of the people who are being most directly affected by the events not only of the last 6 weeks but of the last 7 years, and that is the people of Lebanon. That country has virtually been bled white.

And if there was one thing that came through loud and clear, whether you talked with Christians or Moslems, Shiites, Sunnis, Armenians, Maronites—it did not make any difference who you were talking to—is they want everybody out. They want the PLO out, they want the Syrians out, and they want the Israelis out. They want their country back. And that was one common denominator—it may have been expressed different ways at different times, but it was very, very clear, and they would like the PLO out first and foremost, quite honestly, and they would like it done peacefully. Every group we talked to expressed that strong desire.

With that in mind, I should point out, there was some deep concern expressed about the real willingness of the PLO to leave, whether or not they have actually come to terms with the reality of the past 6 weeks, or whether or not they are delaying for the sake of delay merely to sort of regroup or recapture some of the political and military position that they had lost over the last 6 weeks.

So, first, in that sense, let me ask you, based on your knowledge of the region, whether or not you think, personally, again, I am asking you because I realize you are hamstrung in talking in an official capacity, but personally, do you believe that the PLO is willing to leave West Beirut?

Mr. SHULTZ. As I understand it, they have said they are.

Senator DODD. Well, do you believe they are?

Mr. SHULTZ. I read the cables and I hear reports on what Phil Habib says, things like that, and so I assume they are. They have considerable incentive as well because I should think they would feel a little uncomfortable there.

Senator DODD. Let me ask you this. Maybe I should have prefaced my question with this, and I ask it——

Mr. SHULTZ. I think their problem is that nobody seems to be anxious to have them. As I said earlier, there is a message there.

Senator DODD. Have you ever had the opportunity to meet with the PLO or leadership of the PLO in an informal, formal capacity at all?

Mr. SHULTZ. No; I have not.

Senator DODD. How do you interpret the absence of an Arab response to the plight of the PLO over the past 4 or 5 weeks, both rhetorically and materially? They have not received the kind of support I anticipated they would get.

Were you surprised by that?

Mr. SHULTZ. Well, I think what we see is, from a military point of view, a very impressive performance on the part of Israel, and it is dominant.

Senator DODD. But were you surprised at the absence of the Arab world's support of the PLO materially?

Mr. SHULTZ. I think they were stunned by the movement into Lebanon, its dimensions, and its force and thrust and were overwhelmed by it. I would have to say that I have not really had a chance to talk with very many people from that part of the world, so I do not have anything direct to go on other than my own impressions and what I read.

Senator DODD. Are you surprised at all by the reluctance of the Arab world to accept the PLO as refugees? You know the area fairly well.

Mr. SHULTZ. I think there does seem to be a hesitation in many countries to accept in their country a group of people who have a pattern of arming themselves and in effect forming a government within a government. It is not anything that a country that can help it will tolerate.

Senator DODD. Would you characterize the PLO as a terrorist group?

Mr. SHULTZ. They certainly have engaged in terrorist acts.

Senator DODD. Would you characterize them as a terrorist group?

Mr. SHULTZ. They apparently have many dimensions, and there is a terrorist dimension. There tends to be terrorism and guerrilla aspects to protest movements, typically. I do not say that to excuse these terrorist acts at all. I do not excuse them.

Senator DODD. Let me ask you this, again, and I am asking for your personal viewpoints on these things, do you think that Israel was wrong in crossing the Lebanese border on June 6?

Mr. SHULTZ. They have to judge that for themselves. I regret that they did because there still was a cease-fire, more or less. All cease-fires tend to erode, granted, and the need for further diplomatic efforts not only in Lebanon, but I think the basic problem underlying it all is the total lack of progress in doing anything about the Palestinian problem. And a cease-fire is usually a kind of a holding operation while something happens that is going to rectify the reason why you had to have the cease-fire in the first place. And the something in this case must be an effort to come to grips with these Palestinian issues, and they were not come to grips with during the cease-fire, and I think that is a fundamental problem.

Senator DODD. Am I correct in reading your last comment that Israel made a mistake—putting aside the legal questions for a minute. Those will be answered, I gather, later, but as a political decision, if you will, that Israel made a mistake in crossing the

Lebanese border, that you believe that that action has retarded the Camp David peace process as it affects the autonomy talks?

Mr. SHULTZ. When you say they made a mistake from a political standpoint and all that, I do not know quite how to judge that. I have said that I personally oppose their movement into Lebanon. I see that the President did, that the U.S. position in the United Nations was in opposition to it, and on I think at least two occasions, a vote for a cease-fire and withdrawal, so that is the general opinion that I share.

Senator DODD. Do you think the Camp David peace process has been retarded by that?

Mr. SHULTZ. It has been harmed in the sense that I am sure in the Arab world this tremendous amount of bloodshed that we have seen is just appalling to people, as it is to me, and it must be to you.

It does seem to me that we should say to ourselves, well here we are now. What can we go forward with, and see if we cannot take a lesson from this and say, you know, here are all these people killed, all these people wounded, all these people displaced. There has to be a better way. And let us try to find it with more sense of urgency than we have had before.

Senator DODD. In your opening statement you made reference to the fact that the PLO, or rather the Palestinians should be permitted to participate directly in the autonomy talks.

Do you believe the PLO ought to be brought into those negotiations directly?

Mr. SHULTZ. I think that the Palestinians should have their representation, representation that they consider to be legitimate. Whether that is the PLO, I would not say that, and I think that the statement that has been made that if the PLO recognizes Israel, recognizes U.N. Resolutions 242 and 338 and if we can have a renunciation of these terrorist activities, then you have a different PLO and I am sure that they would be welcome.

But that is a totally different thing than the present situation.

Senator DODD. Should that be a condition precedent to our recognizing, assuming the Palestinians select the PLO as their representatives in those negotiations, before we accept or agree to that, should the precondition be that the PLO recognize the right of Israel to exist, or should that representation be allowed to go forward without that precondition having been met?

Mr. SHULTZ. I would think that we should stick with the position we are on, and of course, there is a sense in which when you sit down to negotiate with somebody, you recognize that they are there. They are sitting across the table from you. So it is implicit in the process.

Senator DODD. Mr. Secretary, my time is up.

When we met in my office, I talked to you principally about Central America. I had no intention at the time, or no plan of discussing the Middle East. So this afternoon in the second round I will focus on that.

I thank you for your responses this morning.

Mr. SHULTZ. Thank you.

Senator DODD. Thank you, Mr. Chairman.

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The CHAIRMAN. Mr. Secretary, in accordance with the request from the Capitol Police, we would ask everyone to stay in their seats for just a few moments.

I would like to say to you, Mr. Secretary, that we have had a remarkable first morning of 3 hours and 35 minutes and we thank you very much.

We recess until 2 p.m.

Will everyone stay in their seats until the Secretary and his family and his party have left.

[Whereupon, at 1:20 p.m., the committee recessed, to reconvene at 2 p.m. the same day.]

AFTERNOON SESSION

The CHAIRMAN. Because of the meeting scheduled later at the White House, we will proceed until approximately 3:45, and then will resume again at 10 o'clock tomorrow morning.

Senator Zorinsky, you have not had an opportunity to ask questions. Would you be good enough to start off, please?

May we have order in the room, please?

Senator ZORINSKY. Thank you, Mr. Chairman.

Mr. Shultz, we have discussed in private some of your philosophy with respect to grain embargoes and grain agreements. We have discussed the fact that if you do not have a corner on a commodity and you are not the only one in the world producing a given product, that many times embargoes are meaningless and ineffective. Early in your testimony this morning you made the comment that you would rather deal with the surpluses of the farmers of America than deal with the worry about a grain shortage. Certainly we do have excessive surpluses, and some of these surpluses can be directly related to the previous embargo.

Inasmuch as you are a businessman, I am sure you are aware that other nations, no matter what they say outwardly about honoring their commitments, often do not do so. I was concerned about your comment that any grain agreement at this particular time would have the possibility of sending a wrong message to the Soviet Union with respect to Poland. Knowing basically your business philosophy, I feel there is a dichotomy between your statements and your philosophy. The Polish situation is a duplicate of the Afghanistan situation wherein the Carter administration imposed an embargo. They wouldn't lift it, and I was told at that time by the Secretary of State that to lift the embargo would send a wrong message to the Soviet Union with respect to Afghanistan.

The current President said he would lift the embargo resulting from the invasion of Afghanistan inasmuch as it was meaningless and not accomplishing what it was intended to do. Obviously, the embargo did not remove the Soviet presence from Afghanistan, so the message we sent at that time was to the farmers of America. The message was that they have a lower priority with respect to the economy of this Nation and the world than I feel they should have. I am concerned that we are seeing this same situation again. If we are worried about sending messages, I think we should be more concerned with the internal message we send to the farmers

of America with respect to curtailing their ability to market their product in a so-called free world marketplace.

I am going to give you a bit of information that has not been released. It is supposed to be a secret, but obviously in this room it is not going to remain a secret. While we sit here and talk and discuss and worry about sending wrong messages to the Soviet Union or wrong signals about being accessible to them, or about being willing to enter into a negotiated 5-year farm grain agreement, an individual named David Champion, who is with a Canadian grain export firm, has stated that the Canadians have negotiated with the Soviets an agreement for 7 million metric tons of wheat, and that is red winter wheat. That is twice the annual production of the State of Nebraska. If we were to have that market, we could have raised a dollar a bushel the return to the farmers of Nebraska, and it would not have cost the consumers in this Nation a penny.

This sale amounts to $1 billion in Canadian money, $800 million in U.S. dollars. This is the amount of credits they are giving the Soviet Union, in utter disregard of a pledge that there would be no credits given to the Soviet Union for this type of sale.

Having been a businessman, I am a little suspicious of some of my competitors. I am sure in your position with the Bechtel company which is highly competitive worldwide, you were a little bit dubious and suspicious about your competitors. I would hope that you as Secretary of State would be likewise with regard to U.S. competitors in the world marketplace, and allow our farmers the opportunity to compete.

So, my question, Mr. Secretary, would be this: Given the conditions that exist, and the reality of the free enterprise system, will your recommendations be to send some more signals or messages with respect to Poland, or are you truly a supporter of the free marketplace where it is to our benefit in terms of economic stability to provide our farmers with the ability for long-range planning by a long-range grain agreement?

I personally do not think you should be involved in it. That is what we have the Secretary of Agriculture Jack Block for. Unfortunately, under both Democratic and Repulican administrations, the Office of Management and Budget and the Secretary of State seem to make these decisions.

Could you give me some idea of your philosophy in this regard?

Mr. SHULTZ. I basically subscribe to the sentiments that you expressed. I think if I could correct one impression from this morning's testimony, you quoted me as saying that I had a reservation about any agreement. I believe what I said, or at least let me say what I mean right now. If I have a reservation, it is about the advisability of starting at this time to negotiate a long-term agreement that envisages a relationship on this over a period of time, a long period of time.

Now, that does not suggest anything about sales or the extension of the existing agreement at whatever level, but raises a question about whether, having slowed that down, it is the time to pick it up again, but having said that, I agree with the basic thrust of your comment that a long-term type of arrangement in the right kind of world is the way to do it, because it gives our farmers a knowledge

of what is in store and from the side of the Soviet Union they also have some assurances, so it is a much more beneficial type of relationship.

Senator ZORINSKY. Well, George, then, you are not concerned about Canada locking in more than their fair share?

Mr. SHULTZ. Oh, I agree with your comments about competitors. We have wonderful competitors and all that, but you have to watch them.

Senator ZORINSKY. I have one final question, Mr. Secretary. With previous Secretaries of State, and in 5½ years I think I have seen two or three of them, there has been a proliferation of ambassadorial appointments: An ambassador for refugees, a second ambassador to Mexico, and an ambassador for anything. I guess that is better than raising the salary, giving another position.

Mr. SHULTZ. Now you are talking like a businessman, substitute a title for money.

Senator ZORINSKY. I have attempted to be very consistent in not supporting new ambassadorial positions, other than the ones that we have always been accustomed to, because I feel it dilutes and demeans the title of ambassador. Do you have a feeling about that, or do you have any position on it?

Mr. SHULTZ. It is not an issue that I have caught up with, to have really registered a view. I can certainly see as in any organization, if you tend to proliferate a title, you remove some of its value, but I can also see that there may be occasions when you have something of great importance that you want to get done, and that deserves the attention of a person of very high standing. Then you can create a post of that kind.

Senator ZORINSKY. Do you feel an ambassador should speak the language of the country to which he or she is appointed?

Mr. SHULTZ. I think it is highly desirable, though not absolutely necessary. As was noted in the Chairman's letter from Mike Mansfield, I have been in Japan a few times since Mike has been the ambassador, that is, since Senator Mansfield has been the ambassador, and I would say that we could not imagine a better ambassador for our country than Mike Mansfield for Japan, and he does not speak the language.

Senator ZORINSKY. I agree with you.

Mr. SHULTZ. So, I think you are right. It is highly desirable, but I would not lay it out as a rule, because then you would rule out people like Mike Mansfield.

Senator ZORINSKY. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Senator Zorinsky.

With the understanding that those Senators who have not yet asked first questions will be accommodated—Senator Mathias, for instance, has been called out of town, but will be called back this afternoon, and Senator Boschwitz has not yet had a chance—we will begin our second round.

I would like to say first, because the Bechtel name has been raised a number of times today, that from personal acquaintanceship and friendship of 32 years with Steve Bechtel, Sr., and about a quarter of a century of knowing Steve, Jr., I have never known

finer industrialists, finer Americans who have done a better job for this country here and abroad.

So, I think you can be very proud of the relationship and associations you have had and that you have severed, I am sure, at considerable inside pain to you.

I would like to begin again on questions concerning nuclear arms control. As you know, Mr. Shultz, the nuclear freeze phenomenon has swept the country. It is almost as if to say we are going to take it out of Government's hands if you do not do something about this problem quickly. The President has responded remarkably, and certainly his speech at Eureka College in Illinois when he announced our opening START position, pleased me and others immensely. I was pleased that negotiations on throw-weight limitations, which would be very difficult and would tie up START for years, have been deferred to a second phase of the negotiations.

There are now, however, reports that some administration officials are claiming that there will only be one negotiation with throw-weight included right from the beginning.

First, do you agree with the President's decision to have the phase I of START focus on the most destabilizing systems, such as missile warheads, and leave throw-weight discusssions for phase II?

Mr. SHULTZ. Mr. Chairman, I have studied these questions very recently, and the position that the President has taken, as I understand it, is to think of this negotiation as going through two phases, but nevertheless recognizing that they are related to each other, it seems like a sensible position to me.

I would have to say that while, like any other citizen, I have watched this issue of arms control with great interest, and I was very excited to read of the position being advanced in the START talks of a reduction, and to see that the Soviet Union has come to the negotiating table knowing that that is our position, I find that very exciting. I also recognize that this is a very difficult technical subject when we are starting these negotiations, and when it gets below the level of certain obvious things, it is not a field that I have specialized in.

So, with your permission, I would like to respond to any sort of general ways of thinking about the problem that you want to put to me, but I would like to study and think a little bit more in a field that I am not that familiar with before I get into the details of it. But I would say to you that I realize it is of immense significance, and that it is a subject that the Secretary of State should be right in the center of. I intend to devote the time that I need to understand it fully and to play a central part in helping the President in these negotiations.

The CHAIRMAN. Because of the immense importance of this issue to the country now, and to the position which was enunciated personally by the President, we will keep the record open for 24 hours, if you would like to refine or amplify your comments on these or any other questions that I put to you.

Do you believe, as Secretary Haig stated in testimony before this committee in May, that phase I should be concluded as a separate agreement before moving on to phase II?

Mr. SHULTZ. Well, that in a way is similar to the first question you asked me, and I think I would have to give the same answer. I

will give a written response, if you would like. It is likely to be something that I go back and get some research on and submit it to you.

The CHAIRMAN. If we can do that before we send the nomination to the floor, it would be helpful, because I think it is of great interest to many members of this committee.

[The information referred to above follows:]

THROW-WEIGHT IN SECOND PHASE OF START

Question.—Do you agree with the President's decision to have Phase I focus on destabilizing systems such as missile warheads and leave throw-weight discussions for Phase II?

Answer. I fully support this approach to our negotiations. The phases are clearly linked as parts of a single, integrated approach. It seems quite logical to me that we concentrate our initial energy on reducing and limiting those systems which are most destabilizing.

Thus, in the first phase, the United States has proposed significant reductions in the number of ballistic missiles and their warheads to equal levels. The natural result of such numerical reductions, however, will be to reduce the Soviet throw-weight by about one-half—in the first phase.

In the second phase, we would continue in this direction and seek full equality in throw-weight as well as in numbers.

START—FIRST AND SECOND PHASES

Question.—Should Phase I of the START negotiations be completed as a separate agreement before Phase II?

Answer. The two phases of the U.S. START proposal are clearly linked as integral parts of a single U.S. approach. Whether the results gained through this approach will be implemented in a series of agreements or in a single, comprehensive agreement will depend on the progress made, and the state of the ongoing negotiations as the first phase is completed.

The CHAIRMAN. Finally, you may want to respond in the same way to the third part of this. Do you believe this agreement should be submitted to the Senate in the form of a treaty?

Mr. SHULTZ. Oh, assuredly.

The CHAIRMAN. In his Memorial Day speech at Arlington Cemetery, the President declared that the United States would refrain from actions which would undermine the existing SALT agreements so long as the Soviets show equal restraint. This policy of restraint vis-a-vis the SALT I and SALT II agreements has been formally endorsed in a joint resolution passed by a 12 to 5 vote by this committee on June 9. First, do you agree with this policy?

Mr. SHULTZ. Yes.

The CHAIRMAN. Second, would you foresee any circumstances in the near term which might require the United States to abandon this policy?

Mr. SHULTZ. Only if the Soviets started to behave in a manner inconsistent with such understanding.

The CHAIRMAN. That would be understood. Do you believe that the United States or the Soviet Union would be in a better position to exploit an abandonment of all SALT restraints?

Mr. SHULTZ. Well, that is a curve ball. Well, I do not mean to——

The CHAIRMAN. Would you like to study that a little bit? Because there are two theories of thought on that. The prevailing theory asserts that the Soviets would really benefit more from an abandonment, but it is again a complex issue, and if you could answer that, we would appreciate it.

[The information referred to follows:]

INTERIM RESTRAINTS UNDER SALT

I would suggest that if we were to drop our policy on interim restraints we would both be the loser. This policy does not represent an endorsement of SALT II as the foundation to a long term arms control agreement. It does restrict the Soviets and could be helpful in achieving a sound reductions agreement on the basis of equality and verifiability. The position represents an interim policy that allows for the necessary strategic modernization program which the President has initiated and the Congress has supported.

The CHAIRMAN. Finally, do you believe it would be constructive for the Soviets to issue an authoritative declaration paralleling the President's pledge of SALT restraint, and would you encourage the Soviets to make such a pledge? Such a pledge would be much more reassuring to this committee than just our making a unilateral statement without having a more formalized pledge by the Soviets.

Mr. SHULTZ. As I understand the current situation, it is that we are basically abiding by these treaties, and as far as we know, the Soviets are.

The CHAIRMAN. Right.

Mr. SHULTZ. Now, it is nevertheless the case, one of the principal questions raised by the Congress and others about SALT II had to do with verification, so I put a little line under that "as far as we know" because it is one of the issues about this treaty, and of course that is a subject that has to be at the center of the START negotiations, that what you agree to you can verify and know that it is going to be carried out.

I think for that reason the sort of implicit understanding that has emerged is pretty good, and to try to get it tied up into something highly specific or binding might do us more harm than good.

The CHAIRMAN. Verification is a subject in which Senator Glenn and others have great interest. The Threshold Test Ban Treaty [TTB] and the Peaceful Nuclear Explosion Treaty [PNE] have been under review by the Reagan administration, for well over a year. There has been a request from this committee to come to a decision as to whether the administration wants the committee to act on them.

I have informed the administration that I believe they would be approved, which would be evidence to the Soviets that we can follow through. We have not ratified any of the three treaties that have been approved by Presidents in the last 7 or 8 years.

Director Rostow recently told this committee that this review, which had been underway for over 1 year, has run into a "profound stone wall." I wonder if you would undertake as Secretary of State to try to break that stone wall and to reach a decision? Would you want this committee to take up those treaties and submit them to a vote for advice and consent so that they can be ratified, because one of them does provide for onsite inspection with seismic instruments. That takes us much closer to improving verification than we have ever been before.

Mr. SHULTZ. My mind is running on about what could be a profound stone wall. It sounds pretty formidable. You have mentioned this to me before, and I have discussed that with some of my pro-

spective colleagues, and I think that I should get myself into a position to be able to discuss it with you shortly.

The CHAIRMAN. I would very much appreciate that. My quarter of a century experience with you has been that you take stone walls as challenges and scale them and manage to come down with an answer to the problem.

Finally, regarding the Law of the Sea, on July 9, a statement was issued by President Reagan announcing that the United States will not sign the convention as adopted by the conference and our participation in the remaining conference will be at the technical level and will involve only those provisions which serve U.S. interests. The President cited major problems and so forth. If you were convinced that significant improvements could be negotiated in the present draft Law of the Sea Treaty prior to its formal adoption in December, would you seek to pursue such negotiations?

Mr. SHULTZ. Yes; but I understand, Mr. Chairman, that there have been very strong and serious efforts, and they have been pretty much rebuffed.

The CHAIRMAN. I feel that in this case, when we are so isolated in the world, and it is such a subject of importance to such a vast part of the world, that some of those barriers may not be insurmountable. I am sympathetic with some of the problems, but I am not sympathetic that we have not been able to resolve those problems. Would you feel it worthwhile, considering the great stake in this, and the position of the United States, really in a sense almost isolated from much of the rest of the world, that it ought to be worth one last all-out effort?

Mr. SHULTZ. Well, certainly, I can look into that. If there is some prospect of getting anywhere, then it is worthwhile, but if basically it is closed, then I think you just spin your wheels and raise people's hopes when they are going to get dashed. I think, as I understand the recent decision of the President, it is to be clear with people about where we stand, so they know that at this stage of the game we will not sign that treaty as it now stands.

The CHAIRMAN. It is my feeling, and I believe the feeling of some of my colleagues, that remaining outside the treaty will pose a significant cost to the United States in areas other than deep-sea-bed mining, and I think it is worth that effort.

My time is up. Senator Pell.

Senator PELL. Thank you, Mr. Chairman.

I would strongly like to endorse Senator Percy's wish and urgent hope that you might wish to reexamine the Law of the Sea Treaty. There is a current article in Foreign Affairs by Leigh Ratiner, who was our de facto negotiator of a great deal of it. And I would hope that you would look at his article, because I do not think the administration has properly thought out what will happen if we do not sign the treaty.

We will wish to have the 200-mile economic zone and the right of passage through the 12-mile territorial zones, because that is a part of the treaty, but we will not be a part of the treaty and we will really have no recourse under international law to prevent infringements on the rights we wish to exercise. So I would hope you would reexamine it and read this article by Mr. Ratiner in Foreign Affairs.

Mr. SHULTZ. I certainly will do that. I do feel, and I gather this is our position, that no one can come along and, by a treaty we are not party to, take rights away from us that we have.

Senator PELL. We have it by courtesy of the treaty, too. That is, the 200-mile economic zone.

At any rate, I wish you would examine it.

Now, Mr. Shultz, I don't want to belabor the issue I raised before—concerning the conventional force balance in Europe and the need for a NATO doctrine envisaging a first-use of nuclear weapons—but I do wish to place on the record certain statistics from the Military Balance, the annual publication of the International Institute for Strategic Studies.

Today, according to that authoritative source, the Soviet Union has on active duty some 3.7 million men. If one makes two reasonable assumptions: *(a)* that one-third of the Soviet military must remain allocated to the Chinese frontier; and *(b)* that the Soviets could never count on East European forces in the planning or implementation of any aggression against NATO, then the threat against which NATO must defend actually consists of no more than 2.5 million Soviet troops. This is in contrast with an active-duty NATO force of 5.4 million, of which 3.4 million are in Western Europe. In sum, NATO has on duty in the European theater about 1 million men more than the available Soviet force. I just wanted that to be in the record.

Now, on another subject—and there is a certain amount of hopping around on my part to try to cover a variety of things. In connection with the nuns murdered in El Salvador, in my part of the country the murder of the three nuns and a lay worker is of great concern, and under the law only one certification had to be filed by the President explaining whether all is being done to bring them to justice. We expect soon to be passing another law to require it again.

But if we neglect to pass that law, could you give us your assurance that you would move ahead with that certification?

Mr. SHULTZ. I certainly would want to do everything I can to clarify that situation and see that responsible parties are brought to justice. The particular issue of certification as you raise it goes by me a bit in terms of the structure of all of this legislation. So I would like to come back to you on that.

Senator PELL. It is a legal point where the President was required to give us a one-time report on whether any progress had been made in bringing to justice the murderers of these people. Under the law that we passed originally, we thought the whole thing would be long since settled, but it has not and now another certification is due, and it should address the question of the murdered Americans.

Mr. SHULTZ. You mean later this month.

Senator PELL. And we hope to be legislating a requirement that the next certification also address the question of the murders. But if we do not get around to doing that, I wonder if you could give us your assurance, that at the same time the general certification is made, if it is made—and some of us question whether it should be made—that you will include the nuns.

Mr. SHULTZ. I will look into that and I will give you a report on it. I do not want to say something that gets me into a legal position of some sort that I do not want to be in.

[The material referred to follows:]

EL SALVADOR: CHURCHWOMEN CASE

As you know, Section 728(e) of the International Security and Development Cooperation Act of 1981 does not require that this issue be addressed in this second Presidential certification.

We understand there continues to be intense public and Congressional interest in this case and that legislation has been introduced which would require that the subject be addressed in future certifications.

Because of this interest, the certification will include information on the latest developments in the case.

Senator PELL. All right. Thank you very much.

Now, a year and a half ago when your predecessor was here, in answer to a question of mine he indicated the possibility, or rather he said: "There are contingency plans in the NATO doctrine to fire a nuclear weapon for demonstrative purposes, to demonstrate to the other side that it is exceeding the limits of tolerance in the conventional area."

This created a good deal of consternation, the idea of a sort of warning nuclear shot across the bow. I would hope this is not a part of the administration's nuclear doctrine. Am I correct in that hope?

Mr. SHULTZ. I have a recollection of that incident, and I have a recollection of a rather flat comment from Secretary Weinberger to the contrary shortly thereafter.

Senator PELL. That as far as you know is the present doctrine?

Mr. SHULTZ. That as far as I know is the present doctrine. I think nuclear shots across anybody's bow are a very bad idea.

Senator PELL. I would agree.

In connection with Cuba, why is it that when Cuba seems to be holding out a little bit of an olive branch, why is it we are seeking to escalate our confrontation with Cuba through Radio Marti and a variety of other programs that the administration has? It would seem to me that this would be a time when we could well engage in, to coin a phrase, verbal disarmament.

We talk about nuclear disarmament, weapons disarmament. This is a time—and you have a very nice, laid back style—when we could have more verbal disarmament. I am particularly thinking here not only vis-a-vis the Soviet Union, but vis-a-vis Cuba, which has wanted to move in this direction.

What is your view here, sir?

Mr. SHULTZ. I think that the thing that counts is behavior. And from what I know and can see, the behavior of Cuba is reprehensible. They are causing problems around the world. And it also is my observation that in a sense this was tried in the period about 4 years or so ago, of warming up relationships with Cuba, and what we got out of that was additional Cuban behavior that is very undesirable from our standpoint.

So I think that the answer to a different kind of relationship with Cuba is a shift in Cuban behavior and a cessation of their activity, and being an arms supplier and fomenter of insurgency. They have troops in Angola, they have troops in Ethiopia, they

have considerable forces in Nicaragua right now. So all of those I regard as problems, and problems that if the Cubans wanted to they could change, and if they could change we could change.

Senator PELL. From the point of view of style—and I will return to this question of verbal disarmament—it would seem to me you are in a very fortunate position, coming in as you do with a very reasonable and rational approach, to try to lower the war of words which has been going on between us and our Communist adversaries.

I am just curious if you felt similarly a need to lower the level of words that are exchanged.

Mr. SHULTZ. Well, I am a quiet type person, but I do believe in saying what I think, even if I do not shout it. And it does seem to me that it makes sense for us to try to ensure that individual Cubans do understand what is going on. And they are not treated to a free press or in any way a free display of understanding before them.

Senator PELL. Although, as you know, they listen pretty attentively to our radios in Florida. They tune in to the American radio.

Mr. Secretary, what would be your view with regard to the Genocide Convention and the other human rights Conventions that are before us.

Mr. SHULTZ. I am sorry?

Senator PELL. The Genocide Convention. The Genocide Convention has been before us for 20 years or 25 years and has never been ratified.

Mr. SHULTZ. It sounds like the sort of thing that should be ratified, from the way you are looking at me and [indicating]. But it is something that I am not familiar with. [Laughter.]

Senator PELL. I guess I feel personally intense about that because my father played a role in its being considered a war crime, and I would hope it would be ratified.

[The following material was subsequently supplied for the record:]

GENOCIDE CONVENTION

The Department of State has given priority consideration to the Genocide Convention. The Department's review of the Genocide Convention is nearly completed, and I should soon be in a position to consider the matter and make a recommendation to the President concerning the question of U.S. ratification of the Convention.

Since I have not yet had an opportunity to examine the issues involved in detail, I would like to reserve for the moment the expression of my views on United States ratification of this treaty.

Senator PELL. Would you support submitting the Falkland Islands dispute to the World Court, the ICJ?

Mr. SHULTZ. Well, again, you are asking me some questions that are very specific, that I feel should be thought through carefully with the advice of counsel in the State Department and elsewhere before I give a kind of instinctive answer.

The Falkland Islands dispute is something that has boiled up into a very serious war, in effect. And somehow that has to cool down a little bit. At this point I do not know that the British would be ready to accept somebody's judgment about what they should do.

Senator PELL. Well, my recollection was the British were more willing to accept it than the Argentinians, but I may be wrong.

The CHAIRMAN. That is correct.

Senator PELL. Thank you. My time has expired.

The CHAIRMAN. Senator Kassebaum.

Senator KASSEBAUM. Mr. Shultz, as chairman of the African Affairs Subcommittee, I have been very pleased that that particular area of the world seems to be moving along in a constructive way. Perhaps that is because it has not been in the glare of the spotlight. But I think it is an area that we can point to where we have established or are working on establishing a constructive policy and a leadership role of action, rather than having to react to immediate crises.

The crucial stage has been reached in the Namibian settlement, and I do not know if you have had the opportunity yet to study all of the details of that particular process. But it seems to be increasingly focused on the need for movement toward the withdrawal of Cuban troops from Angola.

What is your position on the linkage of this troop withdrawal from Angola as a precondition, if necessary, for the Namibian settlement?

Mr. SHULTZ. As I understand the discussions—and as you have noted, I am not fully in them—but my impression is, however way you may want to put it, that it is most difficult, perhaps unlikely, that there would be a near-term settlement in Namibia if the Cuban troops just remained in Angola, because the fear and concern would be that if any kind of vacuum is created there the Cuban troops will move into Namibia just like they moved into Angola.

Senator KASSEBAUM. It could well be that this becomes a sticking point, and I would agree with you. But I suppose it is drawing a fine line on the timing of that withdrawal, as well as the South African withdrawal from Namibia. I realize that you probably have not had the opportunity to study it in the fullest of details, but whether we can even make linkage a possibility at that point and if the South Africans seem to be using that perhaps as a means of avoiding any further action and movement on the Namibian settlement.

Mr. SHULTZ. I think the linkage is not in the negotiations or the technicality of it. The linkage is sort of inherent in the situation, in that you have foreign troops poised right across the border and capable of moving across, and that presents a factual situation that is not acceptable.

Senator KASSEBAUM. The administration has pursued a policy that has been termed "constructive engagement" toward South Africa, and I have been one who has supported that. I do not think we can just turn our backs on South Africa if indeed we are trying to resolve either the Namibian settlement or the question of the economic and political stability in southern Africa.

Certainly it has had its critics, and I think that more and more are saying, well, what are we getting in return for having extended the hand of friendship, and are we seeing that it is a two-way street?

But in this constructive engagement, I wonder how you interpret it extending to the nuclear field. You touched on proliferation a bit this morning, but I think, particularly given your understanding and background in the nuclear field, it would be very helpful to hear your analysis as far as the policy of constructive engagement and if that would extend to our sale to South Africa of helium-3, for instance, which has been a controversial request that has been under consideration.

Again, you may feel that it is something you have not had a chance to analyze thoroughly enough.

Mr. SHULTZ. I would think any sale to South Africa of what in our earlier discussion might be classified as sensitive nuclear technology would be something you would want to look long and hard at before you did it.

Senator KASSEBAUM. Any sale?

Mr. SHULTZ. Any sale.

[The following information was subsequently supplied for the record:]

U.S. NUCLEAR COOPERATION WITH SOUTH AFRICA

Since U.S. policy and law would require denial of an export license in the absence of South African adherence to the NPT and acceptance of full-scope safeguards, the fuel could not be exported under current circumstances. The longstanding position of the U.S. Government has been and continues to be that we would be prepared to supply nuclear reactor fuel to South Africa if that country adhered to the Non-Proliferation Treaty (NPT) and accepted IAEA safeguards on all its nuclear facilities. Nuclear fuel supply for the Koeberg reactors has been the subject of confidential diplomatic discussions. The U.S. Government is continuing discussion of this matter with the South Africans in an effort to find a balanced and equitable solution.

The matter of the pending Helium-3 export application remains under Executive Branch review. Consultations with the Congress will take place before a final decision is made.

Senator KASSEBAUM. Thank you very much.

The CHAIRMAN. Thank you, Senator Kassebaum.

Senator Boschwitz, you have not had your first round of questioning and, without objection, you will be recognized now.

Senator BOSCHWITZ. Thank you very much, Mr. Chairman.

Secretary Shultz, under the Reagan administration the United States has become increasingly involved with the King of Morocco and his efforts to gain control of the Western Sahara. My question is whether or not the closer identification with Morocco has harmed our relationship with Algeria or other African states.

Mr. SHULTZ. I think our relationship in Morocco is not directed toward their problems in the Sahara with the Polisario so much as it is, from our standpoint, giving us on the one hand rights of access, and on the other providing the Moroccans with a greater self-defense capability, in the light of the fact that countries in that region are threatened by the very substantial arms buildup and the aggressive actions that are emanating from Libya.

Senator BOSCHWITZ. Mr. Secretary, let me skip over part of my region, as I look at my questions and what I have. I normally like to go from west to east, from Morocco to Bangladesh. But since you addressed in your opening statement the Middle East crisis principally, let me direct my questions there.

Mr. Secretary, in a way I find rather disturbing your statement that the crisis in Lebanon makes painfully and totally clear a central reality of the Middle East, the legitimate needs and problems of the Palestinian people. I would certainly say it is a central problem, a central problem of the Middle East, but certainly not the underlying and only problem of the area.

Do you think it is the central problem of the Middle East?

Mr. SHULTZ. No; there are many problems in the Middle East. But I do think that without a satisfactory solution of this one it is very hard to imagine the prospect of peace in the Middle East. But there are certainly many other problems.

We have a very serious conflict between Iran and Iraq going on right now.

Senator BOSCHWITZ. Is that related in any way to the other?

Mr. SHULTZ. No; I do not think so, no.

We have a problem—not a problem, but a matter that we must attend to continuously; namely, the security of Israel. We have commitments there. That is a problem. There are problems connected with the dependence, less ourselves than of our friends and allies such as Japan and Europe, on oil that comes from that region.

There are many problems that one can point to. But I think right now the issue of the Palestinian needs and grievances and objectives is one that we must address ourselves to.

Senator BOSCHWITZ. I certainly agree with that. But certainly the problems that we have with Libya cannot be related to the Palestinian problems.

Mr. SHULTZ. I subscribe to that.

Senator BOSCHWITZ. In Lebanon, over the past 7 years—as I note in the paper this morning, there was a full-page ad—100,000 people have been killed. I suppose the greatest single time when that occurred was during the shelling of East Beirut by the Syrians, and that civil war there has certainly involved many scores of thousands of people more than unfortunately have lost their lives during this latest invasion.

But certainly that is not traceable, those problems of Lebanon are not directly traceable, and are only indirectly traceable to the Palestinians as well.

Mr. SHULTZ. Well, it is all part of the same problem. You have a very substantial number of people who are a capable, energetic people, with no place to go. It is just an inherently explosive situation, and it has been that way.

In my statement I said that this recent conflict that we see—and I am quoting myself, I think—is really the latest in a long series of violent acts in that part of the world. And it seems to me that we have to come to our senses and make everybody else—sort of shake everybody and say, now, come on, we have to do better, and we must get at this problem.

Senator BOSCHWITZ. Were the Palestinians a particular problem, Mr. Secretary, between 1949 and 1967, when the Jordanians occupied the West Bank?

Mr. SHULTZ. The Jordanians, of course, had their problems with the PLO. We know that.

Senator BOSCHWITZ. In 1970. But there was no effort to resettle or do anything during that period with respect to the Palestinians, as I recall.

Mr. SHULTZ. I cannot give you an authoritative answer on that, Senator.

Senator BOSCHWITZ. In your prepared statement you state, Mr. Secretary: "For these talks to succeed"—talks in order to solve these problems—"representatives of the Palestinians themselves must participate in the negotiating process."

We have seen quite a conflict there that involved the PLO, and it was interesting to note that none of the Arab nations came to the aid of the PLO. The Persians, the Iranians, did to a slight degree, but no one else. But no country is now anxious to have them. I believe you said "No country is anxious to have them." Those were your exact words, as a matter of fact, earlier today.

And yet, they have fostered the impression that they are the wronged victims of this entire invasion. Is it your thought that for these talks to succeed representatives of the Palestinians themselves—do you mean the PLO by that statement?

Mr. SHULTZ. Not necessarily.

Senator BOSCHWITZ. You would include the PLO?

Mr. SHULTZ. If the PLO changes and becomes something other than the PLO as we have known it, namely a group that foreswears terrorism, recognizes Israel, agrees to U.N. Resolutions 242 and 338 as a basis for negotiation in that region, certainly we should consider including them.

But I do not prejudge the question of who should be representing Palestinians except to say that it has to be what I would think of as legitimate representation, that is, somehow stemming from the Palestinians themselves.

Senator BOSCHWITZ. The administration has adopted a very firm attitude with respect to Colonel Qadhafi and Libya. The objectives were to discourage the Libyans from subverting their neighbors and becoming involved in world terrorism to yet a larger degree.

Has this policy been successful? What further measures are necessary to promote those objectives, and what has been the success of that policy?

Mr. SHULTZ. I cannot give you a rundown, chapter and verse. But I do have the impression that there has been some impact and some sobering of Libya. But I cannot say that there has been any great tremendous shift, but maybe we see the beginning of something.

At any rate, I think the Libyans have behaved in a genuinely unacceptable manner and I personally am in complete support of what has happened.

Senator BOSCHWITZ. The President has stated that Israel is "a major strategic asset to America, not a client but a very reliable friend."

Mr. SHULTZ. I am sorry, would you read that again? I could not quite hear you.

Senator BOSCHWITZ. The President has stated with respect to Israel that Israel is "a major strategic asset to America, not a client but a very reliable friend."

Do you agree with this? That is a direct quote from the President.

Mr. SHULTZ. Yes.

Senator BOSCHWITZ. You agree with that?

Mr. SHULTZ. Yes.

Senator BOSCHWITZ. The President has also said that the cornerstone of our effort and our interest in the Middle East is a secure Israel. Do you agree with that as well?

Mr. SHULTZ. Yes; and I think I stated that in my opening statement. I more or less did not use your exact words, but that is the thrust of it.

Senator BOSCHWITZ. To weaken Israel is to destabilize the Middle East and risk the peace of the world. And I believe you also said approximately the same thing in your opening statement.

Mr. SHULTZ. Yes. But I think that we and everybody else involved weaken Israel when we do not insist and work and strive to bring about a peaceful situation there. We do not do anybody any favor by letting this thing drag on. So I believe that strength is not simply military strength, but what you do with it and what you do with the situation that may be created by it.

It is not military strength that we want; it is peace that we want.

Senator BOSCHWITZ. I agree with that, Mr. Secretary. And I will have other rounds of questioning.

Mr. Chairman, will I?

The CHAIRMAN. Pardon?

Senator BOSCHWITZ. Will I have further opportunity?

The CHAIRMAN. Oh, yes, there will be.

Senator Biden, and then after you, without objection, Senator Kassebaum did not finish her time. I think I have three minutes left. If you have one or two questions, they can follow Senator Biden.

Senator BIDEN. Thank you very much.

Mr. Secretary, to pick up where I began, not left off this morning, I indicated that you were sitting before us because there was a dilemma. And I am sure you will be confirmed. My first question is, are you signed on for the duration?

Mr. SHULTZ. As far as I am concerned, of course, you people and the President can dispose of me. But as I said this morning, I am a professor on tenure, and I have security.

Senator BIDEN. On a more serious note, it has been painfully clear to us on this committee and, I suspect, to the whole world, that there have been in the past year and a half serious policy disagreements, as there always are in an administration, but serious policy disagreements in the foreign policy area within the administration.

It is characterized by the shorthand characterizations of hard liners and moderates. Whether or not it is true, Secretary Haig was viewed as being one of the moderates. We know on this committee that he was one who argued against the decision with regard to the pipeline, that he had taken a divergent point of view with regard to other European matters from the Secretary of Defense and others within the administration, that he had a slightly different view, if not significantly different, from some leaders in the administration, on the matter of arms control.

And one of the things, quite frankly, that some of us would like to be able to get a preview of is where you are likely to fit in all of these continuing concerns.

My question is this: The President, to paraphrase Senator Helms, were he here, the President is committed—and he asks everyone this question—to the Republican platform; the Republican platform declares that détente is dead.

Now, that is all well and good. This administration has said détente is dead. The Europeans still treat it as if it is alive, for them at least. They think it is important. And I am not so concerned about it being dead, but I wonder what lives.

We have declared détente dead, but I do not know what our policy is with regard to the Soviet Union, if it is anything other than one of confrontation from the first act of denying the Ambassador the right to park underground in the State Department garage straight through to a recent speech by the National Security Adviser, Mr. Clark, and others, that we have economic confrontation, to the article recently in all the major newpapers about our allies being stunned by the administration's characterizations of relationships with the Soviet Union.

So I would like to know this from you. And I think the best way to pursue it is in the context of trade again. Your phrase, I am sure, will be quoted a thousand times, that of "lightswitch diplomacy." It is clear that part of the administration believes that switch should be off and stay off. There is no question about it; everyone in the administration agrees so far that you should not be putting it on and off.

But it appears as though the dominant forces in the administration now believe the switch should be off, and not turned back on.

From your statements here today you seem to suggest that the switch should be on, that it is important that we have trade. You left open the possibility of future grain negotiations, as I read your testimony today. You have spoken in the past about the need to have continuing trade and dialog, economic intercourse with the Soviet Union.

Do you believe the switch should be on or off? And if the answer is neither of those two, under what conditions is it on and off?

Mr. SHULTZ. The position that I tried to set out was that, as a general proposition, I do not subscribe to the use of trade as a switch to be turned on and off. In the case of the sanctions that have become so controversial, I subscribe to what has been done on the grounds, the sort of overriding grounds, of what has taken place in Poland and the need to register our view on that in a forceful and powerful way.

Now, insofar as your comments about what our relationship with the Soviet Union is like, is détente dead or not dead and so on, rather than debate the meaning of the word, it seems to me better to set out where we are, as I see it anyway. And I will try to do that.

Senator BIDEN. That would be helpful.

Mr. SHULTZ. First of all, we have a sense of realism about what is going on, the manner of Soviet behavior, the growth in their strength, the fact that while we were basically standing still, they continued to build up, and in the face of a more passive kind of

conduct, they became more aggressive. We saw that. That is realism to recognize that.

Second, having recognized that, we have said to ourselves as a country, we should look to our strength. And I think as we look at what has happened to our defense budgets in the last year of the Carter administration and certainly in the first 18 months of the Reagan administration, there has been a tremendous amount of attention to that. And the Congress, while we have debated around the edges of it, has fundamentally supported the growth in that strength. And I support that very strongly, as I did in my statement.

Having said that, I think also that part of strength is the capacity to negotiate from that strength that lends strength to us. We have the self-confidence to know what we are doing and to conduct a strong and meaningful negotiation; that is, obviously when you negotiate about something, there are certain things that you are doing the negotiating about, but nevertheless the whole thing is within the framework of an overall evolution of a relationship.

And having said that, of course, there are proposals for strategic arms reduction, for intermediate theater arms reduction, and for conventional force level reduction. So those positions are out there, and we are working on them.

Now, in my testimony I also said that it seems to me we should have a willingness to build a more mutually beneficial relationship but on the basis of reciprocity. If we are going to be subjected to this constant turmoil around the world from the Soviets, you cannot build a constructive relationship on that. But if there is a change in their behavior and a response to all these things, we can change, too.

Now, as I see it at least, that is where I come in. And I do not know what you want to label that. Maybe it is not useful to label it.

Senator BIDEN. I am really not looking for labels. I am looking for, if you will, almost a philosophy of how we are going to pursue relations with the Soviet Union.

There is in the Post and the Times and, I suspect, every major newspaper in America today, a headline similar to the one in the Post saying, "Soviets Held Dependent on Imports," referring to a study released by Census Director Bruce Chapman and the implication that the Soviet Union is also far more vulnerable to economic sanctions than previously thought.

And he cites a number of figures, saying that 7 percent of their total economy relies on exports, 20 percent of their total income is spent on imports, and so on and so forth. But he gives a very much increased picture of the reliance of the Soviet economy upon world economic trade.

Now, how much of the Soviet behavior has to be altered for you to set up a relationship? Let me be very specific. Let us suppose that tomorrow the church, Solidarity, the Polish Government, with the sanction of the Soviet Union, get together and work out some accommodation and restrictions are eased in Poland. Well, that is a step forward.

Now, the President then may very well—I do not know, but let us assume—change position on the gas pipeline and/or begins addi-

tional relationships with the Soviet Union on the economic level. But 2 weeks from now things blow up in Iran.

Now, from the European view, you and the President—you as a business person and with your former life as a Secretary in other capacities—and the administration policy in the area of nuclear proliferation has chosen a divergent path from the Carter administration. President Carter said the object and the most important priority there is to stop the proliferation; and this administration says that is important, we are committed to that, but the most important thing is to be a reliable supplier.

Now, the Europeans, they look and they say, on economic fronts we are going to be reliable—I am not just talking nuclear now—we are going to be, in effect, reliable suppliers. You cannot make a linkage between dealing with the Soviet Union economically and every other action they take around the world.

And so what I am trying to get at is, and I have no sense of it, is how fundamental a change need there be in Soviet policy for us to have a long-term continuing relationship that would give you as Secretary of State a degree of confidence to know that tomorrow you would not be turning the switch back off, that it would probably be better not to turn it on if you knew there was a possibility you were going to turn it off in a month or 6 months or a year?

I know of nothing more destabilizing to our relationships with not only the Soviet Union but with our major trading partners than this notion of, as you paraphrased it, "Prince Hamlet of world affairs," where you are on again, off again, not knowing what we are doing.

So my question is how drastic a change in Soviet behavior has to occur in order for us to once again have a major positive economic relationship with the Soviet Union, an active one as opposed to what is being pursued now, which is characterized as economic warfare? Whether or not that is accurate I will leave that to you.

Mr. SHULTZ. If there is a fundamental change, to use your words, and I do not see any special evidence that there is, but if one should take place, then we would start to see the symptoms of it, you might say, the offshoots of it in particular actions. And we would sort of put the pieces together from that as we see accumulating evidence.

And no doubt the way in which something like that could unfold is in a pattern of reinforcement. In other words, you get into situations sometimes—let me take it away from the Soviet example—where people are in a dispute of some kind and one thing leads to another, as the saying goes, and the whole cycle is one of going from bad to worse.

What one, I suppose, could envisage is something that cycles in the other direction. But it is well given the situation as it is and the realistic appraisal of where we are, that before we conclude that there is any really fundamental change, we would like to see a lot of evidence. And I think we should wait for a lot of evidence.

Senator BIDEN. So that we should see a fundamental change. Absent a fundamental change, these spot changes are not things that would, in fact, encourage you to suggest that we have an increased economic relationship with the Soviet Union?

Mr. SHULTZ. What I am saying is that I do not know how you tell when a fundamental change has been made. You certainly do not tell by having somebody announce one.

Senator BIDEN. Well, it is whatever you do.

Mr. SHULTZ. You tell by what people do, and you watch what they do over a period of time. And if over a period of time you see a different pattern emerge, you conclude that maybe something has changed.

Senator BIDEN. I have trespassed on my time. Thank you very much, Mr. Secretary.

The CHAIRMAN. Thank you, Senator Biden.

Senator KASSEBAUM. Mr. Chairman, that is all right, it was a follow-on to some exchange between Mr. Shultz and Senator Boschwitz. My turn will be back around in a few minutes. I will just wait.

The CHAIRMAN. All right. Fine. Thank you.

Senator KASSEBAUM. Thank you.

The CHAIRMAN. Senator Hayakawa, you have not had a second round.

Senator HAYAKAWA. Thank you very much, Mr. Chairman.

We have had a lot of discussion lately about Japan's current defense efforts, and there has been a lot of criticism about Japan not doing enough to defend herself in view of Soviet ships prowling around in the Indian Ocean using Cam Ranh Bay as a naval base and other Soviet forces in the Sakhalin and in the Kurile Islands and so forth.

What are the Japanese doing about it? A resolution was introduced jointly by a Republican and a Democrat saying it is the sense of the U.S. Senate that Japan should increase its defense spending to 1 percent of its GNP because it is a good deal below 1 percent right now. This resolution has not yet been acted upon.

Well, in a hearing of which I was chairman—this was the first part of the hearing—we heard the testimony of these two Senators. In the second part of the hearing we heard from three other people, one an admiral, one a lady who was an authority on Australia and New Zealand, and the third a historian. They had quite contrary views. And so I asked them if they were Senators, how would they vote on this resolution that Japan should spend 1 percent of its GNP on arms?

All three of them said they would vote no. I asked why. They said, well, you should not push the Japanese, it is probably counterproductive. They may very well have been right, because the most recent announcement on the part of the Japanese Government is that they are going to spend less in the coming fiscal year, a smaller percentage of their GNP on armaments than they did the previous year.

Would you care to comment on this fact?

Mr. SHULTZ. I think myself that it would be desirable for Japan to step up a little more in the defense arena. I do have experience myself in dealing with the Japanese, that they are a very sort of consensus-oriented society. They talk things over. They work at it for a while, and it takes a good bit of time to make a shift. Once they make it, they make it.

You can push on it to a certain extent, but you have to respect their process. I think we also have to respect the fact that they do have a constitution that we had something to do with and which has said to them that they should basically rely on others for their fundamental defense.

But I believe we should make it clear to the Japanese that we feel their efforts should be greater. I think it should.

Senator HAYAKAWA. You do feel then, do you, that pushing them in this direction is counterproductive?

Mr. SHULTZ. Making clear to them what we think is fine. Resolutions being passed by a body like this I think is a tremendous thing to have happen, and to be telling some other country how to behave that way, I would question the wisdom of that.

Senator HAYAKAWA. Thank you very much.

Now let me go back to another area of the world altogether. I came across this problem just recently in the African nation of Botswana. I recently returned from there as part of a four-nation tour to western and southern Africa, and Botswana is a democratic nonracial country which is a force for moderation in a volatile region.

Before it became Botswana and independent, it was known as British Bechuanaland. Because of previous United States and British unwillingness to provide military equipment to Botswana, they turned to the Soviets, who are only too willing to supply what the country wanted for its defense.

It seems to me that we should not try to second-guess a good friend like Botswana, and should be willing to respond to their legitimate requests for security assistance. Would you care to comment, sir?

Mr. SHULTZ. I think we always should look at each case where people make a request for security assistance. That does not mean we always should do it, nor should we always feel that just because the Soviets will do something, we should. But certainly, we ought to look carefully at each case.

Senator HAYAKAWA. After all, you see, they were not at the time involved in any war or internal strife or strife with neighboring nations. So it seemed to me to be a reasonable request.

I also visited Liberia and was very much reassured by what I found. You will recall they had a bloody coup in 1980 in which they took the president and a number of his cabinet out and shot them on the seashore. And the leader of the coup was a man by the name of M. Sgt. Samuel Kenyon Doe, who has since called himself commander-in-chief and is addressed as Mr. Chairman.

Since there was no countercoup, there was no bloodbath following this first bloodbath; that is, one group was slain but there was no vengeance taken. And so the coup was entirely successful.

Master Sergeant Doe, or now commander-in-chief, seems to be a man of modest education. He tries very hard to educate himself and seems to have surrounded himself with wise and moderate advisers, so that he has released from custody all the previous suspects who were members of the previous government whom he had imprisoned.

He has recalled from exile those who had fled to the United States or Canada or England, and the country is now restored to some degree of tranquility and foreign governments, Japan, Ger-

many, the United States, China, and so on, have sent embassies, emissaries to look into the possibilities of trade.

I think the United States can be proud of its role in encouraging these favorable developments in Liberia. Somehow or other, I think some of the wisest things we do are things that we do not read about very much in the newspapers, that this has not been since the assassination itself a headline story to be followed day by day, but the developments seem to have been very favorable.

I just wanted to pass that story on to you, Mr. Secretary, for your comment, if you wish to make a comment. But things are not altogether bad in Africa.

Mr. SHULTZ. No. As I understand the situation in Liberia, as you do—and I think it is a very important country to us—maybe we should do as you suggested: just keep it quiet so it will continue to flourish.

Senator HAYAKAWA. I think that any technical assistance we can give to a country like that, and especially educational assistance, would be of great importance.

Thank you very much, Mr. Secretary.

Mr. SHULTZ. Thank you, Senator.

The CHAIRMAN. Senator Hayakawa, I will have to leave in a few minutes to go to the White House, and I would ask you to chair the hearing. Secretary Shultz is due down there about 4:10, so if we could adjourn no later than 3:50. That would mean that we will recognize Senator Glenn next, and when we resume at 10 tomorrow morning, we will continue in the same sequence so that Senators who have not had their second round will be first up tomorrow morning.

It would be the intention of the Chair, there being no objection from the committee, that we complete our hearing tomorrow and ask for a vote on the nominee tomorrow so that we can send the nomination to the Senate floor tomorrow. There has been no request for a report. That would enable us to have an expedited vote by the full Senate. It cannot be done for 24 hours, but it could be done by late Thursday afternoon. It would be highly desirable for us to have a Secretary of State, and if there is no objection to that procedure——

Senator GLENN. Well, reserving the right to object, Mr. Chairman, and I think we will object. We have a lot of very important matters to go into. I do not think going over one extra day is going to hurt. I asked, as you are aware, that we have these hearings during the recess because I thought it was that important, but we didn't see fit to do that. I don't think going one day or the next is going to make that much difference right now in the Secretary getting on the job. We have some things on nuclear proliferation I still want to get into, and I would not want to call it off by agreeing now to a time certain.

I am not trying to prolong this, nor do I have a very lengthy list of questions, but this goes rather slowly on our 10-minute sections and I would not want to commit to a time now, so I will object.

The CHAIRMAN. It may still be the intention of the Chair to aim toward a vote tomorrow.

Senator GLENN. We can aim toward a vote tomorrow. I would be happy to do that. We can aim toward a vote before 4. I still want to get my questions in.

The CHAIRMAN. I will try in every way to accommodate you, but we will aim in the direction of moving this forward, there being no serious problem that has arisen today. I think it is desirable and the majority leader has indicated his desire to place this on the floor just as soon as possible. So we will try to accommodate every Senator, and certainly I will yield some of my time to you, Senator Glenn, so that you can ask more questions.

Senator Hayakawa, would you be good enough to assume the Chair at this point? Would you adjourn in time for the Secretary to be at the White House at his appointed time.

Mr. SHULTZ. I don't believe that I am——

The CHAIRMAN. Are you not going to that meeting?

Mr. SHULTZ. Not that I know of. I have not been invited. I am not the Secretary of State. I am at your disposal to stay here as long as you want to.

The CHAIRMAN. I thought you were going over. If you are able to stay on, then, that would be fine. That would take care of both the Chair and Senator Glenn's goals and objectives. Thank you very much.

Senator TSONGAS. Mr. Chairman, can we question you when you come back? [General laughter.]

The CHAIRMAN. Under those conditions, I may not come back. [General laughter.]

Senator CRANSTON. Mr. Chairman, for the information of committee members, there is presently scheduled a rollcall for 3:40 this afternoon.

The CHAIRMAN. Pardon?

Senator CRANSTON. For the information of the Committee, a roll call is presently planned for 3:40 this afternoon.

The CHAIRMAN. Thank you very much.

Senator HAYAKAWA. Who will speak after Senator Glenn, Mr. Chairman?

The CHAIRMAN. I would suggest that you continue the hearing this afternoon just as long as you can and come back from the rollcall vote.

Senator HAYAKAWA. Senator Kassebaum, you have had your second round?

Senator KASSEBAUM. [Nods affirmatively.]

Senator TSONGAS. Will we all have a second round this afternoon?

The CHAIRMAN. Yes, I would suggest you carry right on this afternoon. I was under the mistaken impression that Mr. Shultz was due over at the White House also.

Senator Glenn.

Senator GLENN. Thank you.

Let me make it clear that I am not trying to hold up any vote on you. I already assume that you will be Mr. Secretary. I just want to be sure that we get on the record questions that we have on particular subjects.

Let me go back to a point that was mentioned this morning. Senator Biden started the questioning and we got off on some other

questions about how we bring order to foreign policy. You replied to that by saying that it is the President's policy, and I agree with that, and the Secretary of State implements this, as do other people. But this implies that the President is involved and makes those policy decisions clearly himself.

Now, we had a situation where Prime Minister Begin has been here on two trips. The President and the Prime Minister never personally discussed the West Bank nor offensive-defensive use of equipment. Mr. Begin told us this. When I was at the White House I brought this up and no one denied that, although other groups discussed it, the President and the Prime Minister had not.

Mr. Haig is apparently negotiating some things on the Mideast while Mr. Clark out of the NSC is negotiating on the Mideast with the Saudi Arabians, unknown to Mr. Haig apparently. We have had a whole series of flip-flops that have occurred, on the grain deal, in the Versailles discussions regarding the pipeline and credit, the U.N. votes, changing policy between the PRC and Taiwan, we are loosening up things in South Africa, which is a change.

We start out with a strategic consensus emphasis in the Mideast, now we are back over on Camp David, détente is dead, linkage is in. Then all at once we have the START talks put on. Nuclear policy was going to be drastically changed, then it was reaffirmed. Now our domestic nuclear policy is being changed again.

Now, my number one question is this. Did the President make those decisions, all of them, to the best of your knowledge?

Mr. SHULTZ. I have no knowledge of that, Senator. I was not here and I cannot speak about the past.

Senator GLENN. I think most observers of the Washington scene, including all of the ambassadors, feel that we have been articulating pretty much a quadriheaded foreign policy here, some from the President, some from NSC, some from State and some from Defense.

I guess my main question is: How are you going to plan to get the President to take hold and make these decisions? I guess I would say that somebody over there has to speak with an authoritative voice if we are all going to know what parade we are going to march in here.

There has to be a very clear decisionmaking process. It comes from one office and can come from one office alone, it seems to me. Then everyone knows where the parade is headed and can get with it and march in unison. But until that happens, I think we are going to—I have ambassadors come into my office who are confused by this policy or that policy or something else and say, you are a member of the Foreign Relations Committee, can you tell us what this means? They are confused.

I agree with you 100 percent in your statement that is the President's policy, but that implies to me the President has to make decisions and then everybody knows what drummer he is marching to. I don't know whether you wish to comment on that or not, but I guess I would ask how do you get the President to make those decisions?

It seems obvious to me that the President has not made all those decisions. Surely he would not have been that confused. I cannot

believe he would be. But somebody has made those decisions or let it drift to where it appeared that there was no clear decisionmaking process. How do we reverse that?

Mr. SHULTZ. Well, without agreeing with the premise that things are confused, I would say from my observation with the President, having talked with him and watched him prior to the nomination, during the campaign and to some extent in the early stages of the administration and in my role as Chairman of his Economic Policy Advisory Board, taking part in discussions and watching the material go by to the extent that I have been able to since I have been back here, my impression is that the President is very much involved.

Senator GLENN. Do you think he made those decisions?

Mr. SHULTZ. He is right on top of things. At least that is in the direct observations that I have had, and I can only speak about what I have been directly involved in. You spoke about inconsistency on Taiwan. I don't know what inconsistency there is. He has been on the same ground all the time.

Senator GLENN. I think we are in the middle of a change in that one now. Perhaps I should not have put that in my list of accomplished flip-flops. But it seems to me if the President was involved with all of these, then there is a very confused policy at the White House because those are definite changes of direction that we have made that have left our allies confused, and the Foreign Relations Committee confused, I would add.

Let me go to a different area. During the campaign in 1980, you are quoted as having said, "If I have any difference with Reagan, it is about Middle Eastern policy." I would ask first, what is the Reagan Middle Eastern policy; and second, where do you differ with it?

Mr. SHULTZ. That was in response to a question of whether I agreed with the President more or less across the board, and I made that reservation. I suppose it reflected my perception that some of the problems that we have been talking about here today didn't seem to be very prominent in some of the earlier thinking. But that was only an impression and the kind of offhand comment that got picked up in the papers, and not the product of a serious effort on my part. You know, people ask you these questions. You are a private citizen, you make a remark, and all of a sudden it is a Federal case.

But if there was a foundation for it, as I have said, I think from what I have seen and heard him talk about, I will be able to work very comfortably with the President in this area. That doesn't mean he agrees with everything I said here. I don't know whether he does or not. But I will, I am sure, be able to work with the President and his advisers comfortably.

Senator GLENN. Were you head of Bechtel at that time?

Mr. SHULTZ. I was president of Bechtel. Steve Bechtel, Jr., is the chairman.

Senator GLENN. You have nothing specific, then, no specific differences on Mideastern policy?

Mr. SHULTZ. No, sir.

Senator GLENN. An earlier reference was made to lightswitch diplomacy in an October 1981 lecture which you gave in London—

which was a good speech, I might add, and I read the whole thing. You wrote that for international economic policy to succeed, governments must concentrate on identifying central uncertainties, one; No. 2, understanding their causes; No. 3, cutting them down to size; No. 4, commit them to manageable or tolerable risks.

Then you called for a renewed International Economic Constitution, a specific International Economic Constitution that would reduce uncertainty in trade, investment, development, and national economic policy. I was very interested in that. It was not spelled out.

No. 1, do you still propose that International Economic Constitution? No. 2, do you plan to work to put it into effect when you become Secretary of State? No. 3, what is it?

Mr. SHULTZ. I don't have in mind some sort of world body or anything of that kind, but rather a commitment and a sense of urgency about addressing these economic problems. There is a great sense of uncertainty around the world, not simply in the United States, not because of the United States particularly, but just emerging uncertainty about the nature of the economic environment that we are going to be in.

There have been lots of arbitrary changes by governments at one time or another. There is, I think, in the world a kind of almost unraveling protectionism that I think is extremely dangerous. We all can sit around and say, well, here is this industry that we consider very important in our country and we have to see to it that it doesn't get harmed by international competition, and it is one of these things where everybody has a good reason for doing what they perhaps want to do, and if everybody does that, our situation will deteriorate much to our detriment.

So, what I was proposing there is that we identify key areas where uncertainty has been too great, in my opinion, and work at them as trading partners. For example, there is a ministerial meeting of GATT [General Agreement on Tariffs and Trade] coming up in November, and I believe that we should put a lot of emphasis on that and regard it as an extremely important meeting, try to get our trading partners to do the same, and to turn that into a kind of vehicle to address both a sort of stopping the negative trends and looking for some positive ones in the trading area.

Similarly, I think one of the things that we lack in our international economic affairs is what I called in that paper a GATT for investment: In other words, some rules that are generally understood in the way investment is going to be treated. And, on the whole, people know the nature of what these rules will be, but it is hard to get them agreed to.

Incidentally, I was very pleased to learn that we have developed a set of rules jointly with Egypt, and I think if you can't do it on a grand scale, maybe you can do it country by country and let the thing build up. The European Community in the Treaty of Rome has done a pretty good job in the investment rules, and I understand they have held pretty well.

So, trade is an area that needs work, investment is an area that needs work. And I think also that, certainly with some controversy, but nevertheless thinking about economic development is changing. The conventional wisdom of 10 or 15 years ago has shifted, and

while it may be that people don't buy a full free market, free enterprise approach to all this, I think there is a realization that the central dominant State control model hasn't worked. This is fascinating to me, although I have never been to China, to read and see that the Chinese are struggling to have a greater element of decentralization: In other words, to change.

So, I think it is a good moment to be working on that subject. And, of course, I think we all have to recognize that our own economies and our policies toward them are important to ourselves but they are also important to our trading partners. And that doesn't mean that we should have somebody else telling us in the United States how to run our affairs, but we certainly ought to be cognizant of the impact of what we do on them and expect them to be, vice versa.

So, that is the sort of thing that I had in mind, and I was really saying, in effect, to that audience that things are moving in the wrong direction, let's take stock and let's take a deep breath and let's see if we can't move them in a positive direction.

Senator GLENN. I could not agree more with your statement. You did not have, though, a specific International Economic Constitution per se?

Mr. SHULTZ. No, sir.

Senator GLENN. OK. The way it was spelled out in caps, I thought you had something specific in mind there like a new World Bank or something of the sort.

Mr. SHULTZ. No, I don't.

Senator GLENN. Your statement, incidentally, I think is very good on the new era that we are moving into.

Senator HAYAKAWA [presiding]. Senator Glenn, let me remind you that your time has expired.

Senator GLENN. Yes; my time has expired and we are also on a vote. I am sorry. I didn't note the red light.

Mr. SHULTZ. I think I took your time, Senator. I am sorry I gave such a long answer.

Senator GLENN. No; it was a good statement. I welcome you taking my time like that. Thank you.

Senator HAYAKAWA. I would like to suggest that we take 10 minutes to go and vote and then come back.

Senator CRANSTON. I would like to carry on, if I may, because I have to go down to the White House for that meeting and I would like to have my 10 minutes at this point.

Senator HAYAKAWA. Would you like to recess?

Senator CRANSTON. No; I would like to proceed now with my 10 minutes and then go vote.

Senator HAYAKAWA. All right, that will be fine.

Senator CRANSTON. Nancy, is that all right with you?

Senator KASSEBAUM. I would be happy to yield because I know you need to leave.

Senator HAYAKAWA. Would you take over the Chair for me, Senator Kassebaum?

Senator KASSEBAUM [presiding]. Certainly.

Senator CRANSTON. Mr. Secretary, you took umbrage at my earlier statement today regarding Bechtel's relationship to the Arab boycott because you apparently believe I had accused Bechtel of

violating the law. I would like to read exactly what I said: "I want to b[illegible] clear in my own mind where, as Secretary of State, you wou[illegible]t company with past Bechtel practices such as participation in the Arab boycott of firms doing business with Israel."

I did not then refer to, nor do I now, nor do I mean to, any "violation of law" by Bechtel in that respect. I want the record to be clear in that and I wanted you to understand that.

Mr. SHULTZ. Thank you, sir. I appreciate that.

Senator CRANSTON. You have stressed Bechtel's record of compliance with the Export Administration Act Amendments of 1977 regarding boycotts, so I think it would be well to explore exactly how Bechtel went about complying with that law. How did Bechtel change its operations as the result of the enactment of that law and the 1979 consent decree with the Department of Justice?

Mr. SHULTZ. Basically, Bechtel has a set of procurement procedures and employment procedures that fundamentally remain the same. They are procedures that expect that we will identify on the procurement-side suppliers who are qualified and with whom we have had experience or Bechtel has had experience that shows that they supply on time and so on. And in the case of employment, of course, we do not discriminate, have never discriminated insofar as employment is concerned.

I think it is fair to say that after President Ford's announcement of a different policy for the United States, these procedures were gone over very carefully and then again after the law was passed to see that they conformed in every respect to the regulations that had been put forward. I don't have in my mind a catalog of precisely exactly how they were shifted, but I do have a set of our current procedures in my briefcase here. They are proprietary. I don't want to leave them with you unless you insist because somebody made a comment about competitors, and Bechtel would just as soon keep its hard-worked-out procedures to itself. But I have them here and I would be delighted to go over them with you.

Senator CRANSTON. It didn't really amount to making any substantial change to comply with the consent decree; is that correct?

Mr. SHULTZ. No; because the procedures were basically fine as they were. There are all sorts of very particular things in the law about what you can do and what you can't do, so then I think it is natural that you are going to go through your procedures and see that they are correct, and then a big effort was made in Bechtel to go out to various offices, and instruct people, and go through the procedures, and say, this is written down here, we expect you to read it and we mean it, and let's be sure we follow this.

Senator CRANSTON. Did the ongoing procedures, then, really amount to nothing more than Bechtel giving the Saudis a list of potential subcontractor firms and the Saudis then exercising their own boycott, in effect, by excluding from a Bechtel subcontractor list any firm that did business with Israel?

Mr. SHULTZ. No; I think the procedures as they now are and as the law requires prevent a U.S. company from itself making a selection of a supplier on any basis having to do with the Arab boycott of Israel.

Senator CRANSTON. But in effect, Bechtel would supply Saudi Arabia with a list of subcon[illegible]ractors, some who do business with

Israel, some who do not, and the Arabs would proceed then to select from that list firms that do not do business with Israel as a way of their seeing to it that their boycott was complied with.

Mr. SHULTZ. A typical procedure—and our procurement procedure is the same worldwide, it isn't different depending upon what country we are in. It is the same procedure. If it is an instruction to go for a worldwide tender on a particular thing, we have our suppliers identified, we go out for bids, we check the bids over, we make our recommendation to the client.

Now, when people are buying important things for their subsequent use, it is absolutely typical that the client has the say on what purchase is desired.

Senator CRANSTON. Do all countries that you deal with insist upon selecting the subcontractor?

Mr. SHULTZ. For the most part on major projects, the client, whoever that is, and you said most countries, whoever the person in charge is, the purchaser does do that. By and large they take the recommendations. That is what they are paying you for, to get up a recommendation and make an accurate recommendation.

Now, I think there is an attribute, of the purchasing in Saudi Arabia, at any rate, that in a way makes the whole point a little different because in order to do business in Saudi Arabia, you have to have a Saudi Arabian partner, or an agent, or be registered. That is not unique to Saudi Arabia. Most developing countries have a requirement of that type because they believe that this will help their nationals learn how to do business and, in the words of the day, transfer technology to people.

But at any rate, you can see that if the bidders list is confined to people who have met these requirements, that has been screened by the country involved. That is not our screening, that is their screening.

Senator CRANSTON. I would conclude from that that the Saudi Arabians did thus retain the power to maintain their boycott by the method of selection that they would follow.

Mr. SHULTZ. I think that one has to keep in mind the nature of the law, and let me state the fundamental principle of it as I understand it. That principle is that each country, the United States, Saudi Arabia, Israel, any country has the sovereign right to decide who and what it will allow into that country. Nobody questions that.

Now, the question that was raised and worked on and which, as I understand it, the law sought to distinguish from that case is one in which a country has, let's say, an important capacity to buy, and then says, if you want me to buy this from you, then over here in some other country I want you to behave in such and such a way, I want you in the United States not to purchase from company XYZ.

So as this law was worked on, fundamentally people had no quarrel with Israel, Saudi Arabia, the United States, any other country setting up restrictions on what will come into that country, what or who. But the objection was to what we might call in the current parlance the extraterritorial reach of that. That is what one was getting at.

Senator CRANSTON. I have to go vote. Would you try to give me a brief answer to one last question?

Mr. SHULTZ. Sorry.

Senator CRANSTON. Did the law or the consent decree in any way reduce the scope or volume of Bechtel's work in the Arab world?

Mr. SHULTZ. Bechtel's work in the Arab world has gone on for many years, back into early World War II days, and it is very strong today.

Senator CRANSTON. It has been growing all the time.

Mr. SHULTZ. Well, it has gone up and it has gone down. It is strong today. It has been strong in other periods. It has been very low in some periods.

Senator CRANSTON. But the law and the decree did not affect adversely the business of Bechtel in Saudi Arabia.

Mr. SHULTZ. Not so far as we can see, no, sir.

Senator CRANSTON. Thank you very much.

Senator TSONGAS [presiding]. Mr. Secretary, in the Washington Post on the 28th of last month, Defense Minister Sharon said that plans have been drawn up to settle 70,000 more Jews in the occupied West Bank in the next 3 or 4 years.

Do you have any comment on that specific interview?

Mr. SHULTZ. Well, you and I agreed this morning that that is not likely to be helpful. Maybe I should put it in a more positive way. It is certain to set back the effort to deal properly with Palestinian needs because it implies that there are going to be more demands on the water, more demands on the land, and so on.

Senator TSONGAS. Do you think that position should be communicated to him?

Mr. SHULTZ. I imagine there are people who are reading the transcript here, and they understand, and I understand you have made your own point of view clear on earlier occasions.

Senator TSONGAS. When Secretary Haig was before us, he commented, and I quote: "International terrorism will take the place of human rights in our concern because it is the ultimate base of human rights."

Do you share that view or do you——

Mr. SHULTZ. I share the view that international terrorism is a great deprivation of human rights, and in a country where you have terrorism endemic, it is the worst enemy of human rights that one can imagine both in the sense of what it does directly, and unfortunately, in what it brings forth as a reaction, that is, almost inevitably governmental reaction to get hold of the terrorism and do something about it, and so a rather harsh reaction is typical.

So I think that international terrorism is a great menace to human rights, but I would quarrel, I guess, with the words "take the place of." It seems to me what Secretary Haig said, by the time you got through the end of that, was that these were basically similar types of problems.

Senator TSONGAS. On the issue of the pipeline as trade policy and the grain embargo as trade policy, you and Senator Lugar had an intriguing discussion in which you came to some agreement.

Can you name me one European leader who would read that transcript and think that it made sense?

Mr. SHULTZ. I have not read the transcript yet. I am always appalled when I read transcripts of things that I have said, at what

hash I make out of the English language. It makes me very nervous. But I think that on the whole it is clear enough.

Senator TSONGAS. Oh, it is quite clear. Most Europeans that I have spoken to think that we are rank hypocrites. When it comes to our economic interests, that is, the grain embargo, we opt out for our interests. When it involves European economic interests we take a very hard line.

And I am just wondering, can you name me a European leader who does not share that view?

Mr. SHULTZ. That is the general view, but I think one should notice, unhappily, that the sanctions, nongrain sanctions are hurting us as well as hurting the Soviet Union. For example, Caterpillar Tractor is not exactly enthusiastic about it. I saw Bob Michel the other day, and he had just gotten back from Peoria, and he thinks that—well, I will not quote him, but he finds that there is certainly a big problem there.

So it is not as though—I will disagree with the European view that what we have done does not mean anything to us. It does.

Senator TSONGAS. Well, it certainly has had the very positive effect of unifying Europe, at least, on one issue.

Mr. SHULTZ. Is that a statement or a question?

Senator TSONGAS. I was just wondering how you would react to it. Senator Pell looked at you a certain way and you agreed to the Genocide Convention Treaty, so I was hoping to do the same thing.

Mr. SHULTZ. I could not—I had a hard time understanding what Senator Pell was saying. I was a little lost there. I am sorry.

Senator TSONGAS. When you were in my office you made a very strong pitch for continuity and bipartisanship in foreign policy. I share the view, and indeed, you raised it again today. I have forgotten in response to which question, but you went out of your way to raise it as a perspective.

I think that is the case. Unfortunately, I think it has been eroded on this committee. This committee used to have one staff, as you know. It now has two staffs, majority and minority, and I think that is a mistake. But let's look at President Reagan's record of continuity and bipartisan foreign policy support.

The Panama Canal Treaty. Do you know what the President's position on that was?

Mr. SHULTZ. The President did not favor the Panama Canal Treaty.

Senator TSONGAS. SALT I.

Mr. SHULTZ. The President has been very consistent on the Panama Canal Treaty. He disagreed with it for a long time, debated against it, and there is nothing inconsistent about his view on the treaty.

As of now, obviously the treaty has been made, it has been ratified, and I know of no evidence that the administration has not been carrying forward the terms of the treaty.

Senator TSONGAS. What about SALT I? Do you know what the President——

Mr. SHULTZ. I do not know of any evidence that the administration has backed off from SALT I.

Senator TSONGAS. No; I am asking you what the President's position was before he became President, what his commitment in continuity and bipartisanship was before he entered the Oval Office?

Mr. SHULTZ. Well, I think the relevant point is SALT II, which was the item before the House during the campaign, and the President opposed that, and I think it is worth noting that the Senate had ample opportunity to ratify SALT II and chose not to do so. So that does not give you a lot of confidence in SALT II.

Senator TSONGAS. Well, we could argue that, obviously. I think a majority of the Senate would have voted for SALT. The question was two-thirds.

What about Law of the Sea? Well, you discussed that already. The Genocide Convention and the Taiwan Relations Act.

The fact is, the man who nominated you to be Secretary of State—and as I said before, I think it is a good nomination—has probably the worst record of any President in this century for carping on treaties, et cetera, made by people in the Oval Office. And it seems to me hypocritical on one hand to spend your entire lifetime doing everything you can to sabotage everything from SALT I, Panama, on down recently to the Law of the Sea, and then become President of the United States and demand bipartisanship.

Would that not embarrass you to some extent?

Mr. SHULTZ. I do not agree with your premises at all. As far as I can see, the President's foreign policy positions have been consistent and clear for quite some period of time. You mentioned the Taiwan Relations Act. What has he tried to change about that? Nothing.

Senator TSONGAS. So if we have positions that are consistently in opposition to what the President is espousing, it is our obligation to oppose them.

Mr. SHULTZ. I did not demand or he has not demanded, to take your word, bipartisanship. Bipartisanship is something that can only grow out of a process of consultation and broad agreement on a line of action that we decide on, and all that I have said here is that I hope to have the opportunity to consult with you and others on the Democratic side as well as the Republican, and to the degree possible, if we can reach common positions, I think that bodes well for continuity and consistency and these other virtues that people have talked about, and which I agree are virtues in foreign policy.

Senator TSONGAS. You are a tough witness, I really have to say.

Mr. SHULTZ. You are a tough questioner, Senator.

Senator TSONGAS. But you win the standoff, so in that sense you have the advantage.

What would you say is the greatest success in foreign policy of this administration to date?

Mr. SHULTZ. I think the greatest success is undoubtedly what has taken place right here at home, namely, the bipartisan agreement that we need to look to our defenses and strengthen our defenses so that as we are perceived abroad, we are perceived as a country once again looking to our own strength, but at the same time, as exhibited in the proposals for strategic and intermediate and conventional arms, ready to negotiate from that strength.

Senator TSONGAS. So our greatest foreign policy triumph has been our defense budget?

Mr. SHULTZ. That lays the foundation, one of the things that lays the foundation. I think there are lots of other things that could be named, and I asked for a list of things the other day, and it was quite a pile. I almost got tired of reading it, it was so big.

Senator TSONGAS. I am sure it should be shortened with some screening.

Mr. SHULTZ. I think if I gave it to you you would probably edit it somewhat.

Senator TSONGAS. Do you think the imposition of sugar quotas does damage to our initiative with the Caribbean Basin Initiative?

Mr. SHULTZ. All these things have pluses and minuses, and no doubt that was a minus as far as our Caribbean Basin relations are concerned.

Senator TSONGAS. I am so shocked to get a straight answer I do not know how to react.

Mr. SHULTZ. That also has pluses. [General laughter.]

I am a two-armed economist, as the saying goes.

Senator TSONGAS. On the issue of cluster bombs, the information that we have is that cluster bombs were used in Lebanon. In April 1978, Moshe Dayan signed an agreement for Israel with the United States, and you are familiar with those terms. It appears now that those terms were violated, and the issue of cluster bombs I think should be on the agenda.

Assuming that they have been violated, and assuming that is the information we have received from the administration, what should we do about it?

Mr. SHULTZ. First we have to determine that fact, and if I become Secretary I will diligently look into that as in other aspects of this, and make an appropriate report, and depending upon what we find and how the situation unfolds, we will have to consider what is the appropriate action. And I do not have in my mind some set of alternatives or a preconceived notion of what should be done. But I would regard it as a serious matter.

Senator HAYAKAWA [presiding]. Senator Tsongas, your 10 minutes is more than up.

Senator TSONGAS. Thank you, Mr. Chairman.

Senator HAYAKAWA. Senator Pressler wants to ask a few questions now, and I am going to take my leave now, and Senator Glenn, if you want to ask your questions after that, please do so.

Senator GLENN. Thank you, Mr. Chairman.

Senator HAYAKAWA. Senator Pressler.

Senator PRESSLER. Mr. Shultz, I have a few questions regarding arms control and related to arms transfer policy.

First of all, the Arms Control Subcommittee of this committee held field hearings last winter before the nuclear freeze became so popular in the press, and we did find a growing sentiment, a desire for an agreement with verification provisions. Indeed, even the labor and agricultural groups always qualified their endorsement of a nuclear agreement by insisting that it should have strong verification provisions.

What sort of leadership will you take in terms of both the strategic and the theater talks? Do you think we are moving quickly

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enough, and would you envisage that during Ronald Reagan's first term that we will have a START agreement to present to the Senate?

What is your feel for the timing of the talks that are just starting?

Mr. SHULTZ. Well, it is hard for me to appear as a person who has been involved and has a strong sense of that. It is obvious that the START negotiations have just started and positions are being put on the table. One would hope that there is an urgency about them so that if there is a disposition to work something out, it could be done within the timeframe that you suggest. It is a matter of tremendous importance, so that means to me that it is important to do it carefully and professionally, with due attention to the subject of verification, as you mentioned. And so that care must be exercised.

I think it is also important, as I said in my statement, that we not get ourselves in a posture of wanting an agreement to the point where we are willing to agree to something that is less than what we really think is desirable.

Senator PRESSLER. When I was in Moscow recently, some of the Soviets, including Viktor Karpov, their negotiator, jokingly, but I think seriously, said that he would have to get a house in Geneva because he would be there for at least 10 years because the Reagan administration really was not serious about this negotiation. Of course, we are serious about it.

The point is, what timetable do you see? Do you believe it is possible we could have submitted to the U.S. Senate a START agreement during Ronald Reagan's first term, that is, within 1 year to 18 months?

Mr. SHULTZ. It is certainly possible, but I think it is a mistake for us to get ourselves boxed in to the point where we feel we need to have an agreement and thereby might be tempted to agree to less than we should.

So I think that kind of a deadline is not a good idea. But certainly we would hope to conclude an agreement as rapidly as possible.

Senator PRESSLER. Will onsite inspection be insisted upon by the United States?

Mr. SHULTZ. The details of verification I would not want to comment on until I have had a chance to become much more familiar with these issues than I am now. But certainly the importance of genuine verification cannot be overestimated.

Senator PRESSLER. Several committee members last year expressed their concern that the administration has relied too heavily on the sale of advanced fighter aircraft as a diplomatic tool. Recent fighting in the Falklands, Lebanon, and Iran tends to lead to certain conclusions which reinforce these committee concerns. First, advanced smart weapons can be used with devastating effect against strong adversaries, and second, the United States has little control over U.S.-made weapons once they are sold. And third, U.S. weapons are often used by others for purposes that are inconsistent with U.S. foreign policy goals.

As the incoming Secretary of State, what lessons do you draw from our arms transfer policy as a result of recent wars in the Falklands, Lebanon, Iran, and elsewhere?

Mr. SHULTZ.Well, that there are pluses and minuses. You cited some problems. There are also instances where we have achieved great results through our security assistance program, and I think the security assistance program is an essential part of our whole defense effort.

Senator PRESSLER. So you do not see this as a major problem or you do not see a need for a change of policy in this area.

Mr. SHULTZ. I do not see a need for a change of policy, but the policy now is and should be one of careful examination, case by case, of what we do.

Senator PRESSLER. You are not troubled by the results of these relatively small countries getting hold of these devastating weapons and smart bombs and so forth and being able to inflict severe damage? I guess we are all troubled by it, but——

Mr. SHULTZ. Of course we are troubled by it, and I noted in my statement that it is a great problem.

Senator PRESSLER. How do you see overall relations with the Soviet Union? I sense that the Soviets have reached a point—and this is just my own judgment—that they would like a semidétente relationship. I think they would like to buy grain from us. I think they would like to move toward an arms control agreement, although it may well be on their terms. Their behavior in Afghanistan and Poland certainly does not satisfy me, but, if you could look into a crystal ball at the next 3 or 4 years, how do you think you would see our overall relationship with the Soviet Union?

Mr. SHULTZ. I think we have to start, as I said awhile ago here, with a realistic appraisal of what is going on and in the light of that appraisal look to our strength and the strength of our allies, security assistance programs, and posture ourselves that way.

The Soviet Union can very readily change things by changing their behavior in Afghanistan, by changing their behavior in Poland, by changing their attitude toward dissidence in the Soviet Union, and so on. It is behavior that counts. And in the meantime, we need to be strong, and I think it is important that they understand that we not only intend to be, but we have the capacity and the willpower and are in the process.

Senator PRESSLER. Earlier, I began to ask some questions on our practices as a nuclear supplier.

Do you agree with the administration policy that being a reliable and competitive nuclear supplier is the best way to prevent the spread of nuclear weapons, and what leverage do we gain through this approach that we did not have through certain past administrations' more restrictive approach to nuclear technology?

Mr. SHULTZ. Well, what we gain is a capacity to develop agreements consequent to sharing of technology, on a case-by-case basis, with just a few countries, we gain an agreement about what they are going to do with that same technology, recognizing that the countries we are talking about are full of capable people who can figure these things out for themselves sooner or later anyway. So what we are trying to achieve I would guess in this area is some way to deal with proliferation through diplomacy since if you just sort of let it go, the capacity of people to deal with the scientific and engineering problems is very widespread.

Senator PRESSLER. As Secretary of State, what steps will you take to strengthen the international nonproliferation regime, if any?

Mr. SHULTZ. Are you speaking of the problems in the international atomic——

Senator PRESSLER. Yes. Well, I guess the problem that countries have the capacity——

Mr. SHULTZ. Who or what. I am not sure what you are talking about.

Senator PRESSLER. The countries that have the capacity to build the bomb, for example. We had it in Iraq, we are having it in Korea. We are told Argentina, South Africa, and Israel, are near having a bomb. There are about a dozen countries that are near having the bomb, so to speak, and I am very concerned that when this happens we can have international chaos, and I am just nervous about our supplying enriched uranium to some of these countries who might use it for other than peaceful purposes.

I personally feel strongly that our Secretary of State has to be a very vigilant spokesman against the misuse of these materials.

Mr. SHULTZ. I agree.

Senator PRESSLER. And what steps will you take, or what specific things will you do?

Mr. SHULTZ. Well, ask me some questions about things you think I should do.

Senator PRESSLER. All right, as regards Argentina, for example.

Mr. SHULTZ. I think it is not a good thing at all if Argentina is on the verge of having an explosive devise. I do not know that they are, but that is something that we should oppose and make clear that we oppose it, just as in the case of Pakistan where I gather the evidence is clear, we should make our views known and try to see that measures are taken that make a nuclear device unneeded by them and undesirable for them.

Senator PRESSLER. What about Israel?

Mr. SHULTZ. I do not have any knowledge of a nuclear device in Israel, although you read about it from time to time, but the same would be true there.

Senator PRESSLER [presiding]. I am told my time is up. I will pursue this a bit more.

Senator Sarbanes.

Senator SARBANES. Thank you, Mr. Chairman.

Secretary Shultz, in your statement this morning you made reference to Israel as our closest friend in the Middle East and then went on to point out the deep and enduring American commitment, which you stated you shared, to the security of Israel and our readiness to assure that Israel has the necessary means to defend herself.

Some of us have become increasingly concerned about the economic dimension of that problem as well as the military dimension; namely, that the burdens which Israel has had to assume in order to maintain its qualitative arms position, and to address other problems, are increasingly severe and have placed a heavier and heavier economic burden upon the country. To what extent do you recognize that burden?

As you probably know, the committee has tried to be responsive to that situation. I am interested in your own perception of that problem, as an economist.

Mr. SHULTZ. I think it is clear that the burden of armaments in Israel is very heavy and their economy pays a penalty for it. I am not a close student of the economy of Israel, but I am aware of the fact that inflation is at a very high rate, they are heavily indexed so that it is not quite as much of a problem for them as it might be, but on the other hand, inflation at those rates is always quite disruptive. So it would seem to me that Israel would benefit a great deal from an arrangement of the situation so that the burden of armaments was less.

This is one of the incentives for peace. But I think in the total scheme of things, the more fundamental incentives have to do with human life itself.

Senator SARBANES. Until we work that out, I take it that you are supportive of the efforts we have made to provide economic support assistance to Israel.

Mr. SHULTZ. As a general proposition, yes. I gather there has been some controversy in the committee about a formulation that in effect turns loans into grants, but as a general proposition, I would certainly agree with you.

Senator SARBANES. The committee has evolved a formula to try to address a growing economic burden, and that is a mix, of course, between grants and loans. But I take it you recognize that there is a problem we need to address.

Mr. SHULTZ. I recognize the problem. We need to address it. So does Israel. And one way to address it is to say that we really do need a very strong and serious effort toward what is referred to as the peace process.

Senator SARBANES. Let me follow up on that, because in your prepared statement you talk about the need for the United States to develop wider and stronger ties with the Arabs. Would you say that a stumbling block to achieving that is the continuing unwillingness of certain Arab nations to recognize Israel and accept its existence as an independent and sovereign nation in the Middle East?

Mr. SHULTZ. If a peaceful settlement can be arranged, obviously that is implied that that would take place. Arab countries have difficulty in the present situation because they see Arabs in Lebanon undergoing a military operation. Many Arabs are being killed and wounded, and they see that taking place with U.S. arms. They read about cluster bombs, and they probably read about what has been said here in this hearing about them, and that leads them to want to put some distance between themselves and the United States. It is a problem.

Senator SARBANES. Did you welcome the initiative of President Sadat in taking what everyone regarded as a bold step in recognizing Israel and reaching agreement with it?

Mr. SHULTZ. Of course. I thought it was a great thing that he did.

Senator SARBANES. And as a consequence of us doing that, significant relationships were established and developed between the United States and Egypt. Is that not the case?

Mr. SHULTZ. That is correct. Well, I would not say simply as a consequence of doing that, but rather that our relationships with Egypt had taken a turn very much for the better well before that. In fact, perhaps one could say that there may at least have been some connection.

Senator SARBANES. Would you think that similar initiatives on the part of others could lead to the same positive developments?

Mr. SHULTZ. Possibly, but I think there is at this point a need for them to feel that there is some give on these issues in the West Bank and Gaza and the Palestinians on the part of Israel, because the perception, to go back to President Sadat's marvelous initiative, the perception in the other Arab countries is that the Egyptian peace and the return of the Sinai took place at the expense of any action on the West Bank and Gaza and elsewhere. That is their perception. I do not say that is right, but that is certainly the perception.

Senator SARBANES. How do you explain the fact that Israel and Lebanon lived at peace with one another until 1970.

Mr. SHULTZ. I think it is more a question of explaining how the situation deteriorated, and certainly the emergence and entry there of the PLO as an armed government within a government had a great deal to do with it.

Senator SARBANES. With the PLO's entry into Lebanon, Israel was then subjected to attack from Lebanese territory, something which had not happened before. Is that correct?

Mr. SHULTZ. That is correct. That is what I was getting at in my comment.

Senator SARBANES. You are an economist. How important do you think the economic dimension of American foreign policy is?

Mr. SHULTZ. I think it is a very significant part of our foreign policy efforts, and it plays a very significant part in the health of our own economy. We are part of the international trading world.

Senator SARBANES. Do you think we have had a tendency to neglect it as an effective dimension of our foreign policy?

Mr. SHULTZ. We have had a tendency in the United States not to pay sufficient attention to this subject, not to pay it the attention it deserves. That is probably historically because it has only recently become quantitatively as important as it is today. The proportion of our GNP that is accounted for by imports or exports, or if you added the two together and expressed it, is now quite substantial, whereas 40 years ago it was not so substantial at all. So, it has been growing in its importance and in recognition of that fact.

Senator SARBANES. Would you expect to make greater emphasis on it and to involve the Secretary of State more directly and intimately with international economic matters?

Mr. SHULTZ. Yes.

Senator SARBANES. How important do you think the human rights dimension is to American foreign policy?

Mr. SHULTZ. I think what we think of as human rights is at the heart of what we think of when we think of America and what we stand for. We have to stand for our ideals wherever we are. That does not mean that we want to try to impose our system of government on everybody else. There is room for a lot of variety, but it does appear to me that our ideals are very important to us, and

that as we pursue our foreign objectives, that should be clear to us all, and to the people we meet abroad.

Senator SARBANES. Do you think the United States should make a special effort to have a close relationship with those nations who are carrying out their own commitment to the democratic values that we think are so important?

Mr. SHULTZ. Yes, I do.

Senator SARBANES. What is the nature of the relationship that we should have with countries which are not practicing those values, and are in effect severely restricting human rights in a severe fashion?

Mr. SHULTZ. I think that severe differences in the human rights area will put a strain in our relationships with other countries. They have and do. It is one of the things that puts a strain in our relationships with the Russians. We do not agree with the way they handle dissidents in their country, for example.

Senator SARBANES. I see that my time is up. Thank you.

Thank you, Mr. Chairman.

Senator PRESSLER. Senator Dodd.

Senator DODD. Thank you, Mr. Chairman.

Mr. Secretary, I would like to jump to the question that was raised earlier this morning by Senator Glenn, a discussion of the possibility of U.S. Marines being included as part of a multinational force to secure the safe withdrawal of the PLO. And I have tried to listen carefully to your response as to what the general conditions would have to be before we might accept that proposition. I gather still today no firm decision has been made on that. Is that correct?

Mr. SHULTZ. That is correct as far as I know. I have been here all day. Maybe you know better than I do.

Senator DODD. I have been here most of the day as well. Now, you talked about a limitation in time, multinational in nature, and a reasonable assurance for their safety. Those are the three general conditions. Would you also require—I believe you would, but just to make it clear—the acceptance of the participants of the presence of the U.S. Marines?

Mr. SHULTZ. Absolutely. Otherwise, we couldn't have any idea that they would be safe.

Senator DODD. Who would you consider to be the participants?

Mr. SHULTZ. Who would we look to?

Senator DODD. Who would you put in that group who would have to agree to acceptance of their presence?

Mr. SHULTZ. Well, the Israelis, obviously. We would want to have an official word from the Government of Lebanon, the Palestinians. The PLO, who are being dealt with by the Government of Lebanon, would have to agree to withdraw, and in a manner that was specified. I think those are the principal groups involved.

Senator DODD. Syria?

Mr. SHULTZ. Perhaps the Syrians, although the Syrians are the presumed, at this point, recipient country.

Senator DODD. That was my general feeling as well, going into Lebanon, that we must have those. One of the concerns that I had and one of the reasons that I raised questions about the presence of U.S. Marines was discovering that there were an awful lot of fac-

tions. Just the ones we mentioned would be a Herculean task, I suppose, to secure, but when you begin to look closer, you discover that within Lebanon itself, of course, you have various Christian factions, various Moslem factions. Within the umbrella of the PLO there are various factions as well. When you start to add them all up, then they become much more numerous than the three or four that you mentioned.

I am wondering whether or not in that kind of request we would also have to get the assurances from within the various factions of those organizations. My obvious question to you is, how do we achieve that kind of assurance when you have so many disparate groups that have enough internal difficulties with each other that we could have the kind of assurance that the Marine force would not be, as my fear is, such an attractive target for those who, for whatever reason, may decide they want to draw the United States into this particular conflict in a role above and beyond the role presently being played, and I think the proper role, by the person of Phil Habib.

Mr. SHULTZ. It is difficult. There is no doubt about it. Because just as you say, there are all sorts of splinter groups or factions or little groups that have their own point of view, and it is a characteristic of Lebanon right now that one of the big things that is lacking, obviously, is a firm sense of government and discipline. We do not realize how fortunate we are in this country, because we just take it for granted that there is law and order basically. That is not the case in many other places. So, it is a hard problem to resolve.

Senator DODD. I realize that we are talking about risks, and obviously the securing of a peaceful withdrawal of the PLO is the primary goal that we all share. My concern with it is, I have a feeling we are being set up. That is my gut feeling on it. When you consider the possibility of others playing that role in addition to the role we are playing, I am worried about us losing the present position we have and all of a sudden becoming more of a direct participant rather than a negotiator. I am worried that in fact there will be those who will take advantage of their presence if, in fact, we get to that point and that they become the target, and then it is the question of projection of power, which I am not fearful of. I do not have that Pavlovian problem that some have described about the projection of power. I just think we ought to do it very carefully and selectively, and if, in fact, we have a Jeep or a handful of Marines who become the target of a group that we may not be able to identify very clearly, obviously, as Marines, they are going to be armed, and we would anticipate them responding to that. You would not anticipate instructing a U.S. Marine force if subjected to enemy fire from whatever source not to respond to that fire, would you?

Mr. SHULTZ. No, sir. Senator Glenn would not stand for that, either, would you?

Senator GLENN. No way.

Senator DODD. It would not be a successful order anyway. Well, isn't the risk and the likelihood of that occurring, does that not outweigh the potential advantage, and can we not be trying to secure that peacekeeping force through some other vehicle other

than projecting one of the two major superpowers directly in a potential combat role in that situation?

Mr. SHULTZ. Well, I think you raise good questions, and they have to be weighed by the President as he considers this decision. It is also the case that if this can be worked out, and assurances can be gotten, and that basically the people there in these various groups see that they have a big stake in having this take place, that maybe it can be brought off, and if it can be brought off, then you save an awful lot of lives in Beirut, and you save an awful lot of the aftermath of the kind of difficulty that a firefight in Beirut would bring upon us.

So, all I am saying is, there is a lot to gain if it can be brought off, and there are problems no doubt, and you have brought them out very clearly and effectively.

Senator DODD. Let me ask you something else in that same context just about the PLO. It is a question of the devil you know versus the devil you do not know. There is some concern among those who at least saw the PLO in a significantly diminished political profile in the Middle East as a result of the successful Israeli invasion of Lebanon, and that in the last 10 days or 2 weeks, the PLO in the person of Yassir Arafat has been successful in regaining political stature lost through a very significant military defeat at the hands of the Israelis.

Is it your feeling that maybe we ought to keep the PLO politically alive rather than destroy them politically and not know what may replace the political wing or the political representation of the Palestinians, or would you comment on that generally? I am not asking you to say yes or no. I would be more interested in your analysis.

Mr. SHULTZ. I think that an organization that conducts the kind of guerrilla and terror activities and foments them and that has been a sort of center point of how to express an anti-Israeli sentiment has not been a constructive force. So I do not see that it is helpful to keep that around. At the same time, I do believe, as I have said, that in any negotiation that addresses itself to the problems of the Palestinians, the Palestinians must be represented, and they have to be represented by someone they consider legitimate to be their representative, and looking out for their interests.

If the PLO shifts its stance and its behavior, or the people there do, maybe they have some role here, or perhaps it is some others. So I do not see anything to be said for keeping the terrorist side of this organization together, but we will be looking for people who the Palestinians regard as legitimate.

Senator DODD. If you could step forward a bit in another few days, when I presume you will be sitting as Secretary of State, and Syria decides once and for all, since it is still rather vague as to whether or not it has actually rejected the PLO as a safe haven, but let us assume they do, it becomes clear that no one will accept the PLO. At that point, is it your position or would it be your opinion or is it your opinion that as an alternative to the military conflict that could ensue to a larger extent than the one presently underway, that it would be wiser to take the position of having the PLO remain in West Beirut, contained, if you will, rather than to

acquiesce by silence or some other means of communication to an Israeli invasion?

Mr. SHULTZ. I do not think that is a stable situation.

Senator DODD. Do you regard that as an option?

Mr. SHULTZ. The PLO in West Beirut and the Israeli forces there, and the constant going at it, there is no stability in that.

Senator DODD. My time is up. I guess in the last round I promised we would talk about Latin America, but I will have to save that for tomorrow.

Mr. SHULTZ. I will stay here as long as you want, Senator.

Senator PRESSLER. We have a situation where we want to adjourn at 5 o'clock today and start again at 10 a.m. tomorrow, so we have time for Senator Glenn to ask 10 minutes of questions, and then the Secretary can leave the room under our agreement before everybody else, so that he can get out of here. We will start again tomorrow morning at 10. I have some more questions, but I will not ask them now. I will ask them tomorrow. But I think we will have one more 10-minute round of questioning, if that is all right with you.

Senator GLENN. Thank you. If I could, I would like to try to finish up. I think perhaps we can do it in 10 minutes. If not, maybe a few minutes over that, because I have to leave at noon tomorrow, so that I could get these in tonight, and then I would be finished.

Senator PRESSLER. Very well. Senator Glenn.

Senator GLENN. Mr. Shultz, back in 1976 we were trying to get going with nonproliferation policy improvements through the Nuclear Non-Proliferation Act [NNPA] and other instruments. We all wished—anybody who had anything to do with nuclear matters wished that we could go back to the days of Lilienthal and Baruch and put that genie back into the bottle under some sort of international control. We could not do that. We were faced with trying to negotiate reductions in arms with the Soviets and at the same time we saw the spread of nuclear weapons going on to more and more and more nations around the world.

While the SALT negotiations were going on and while we were trying to get control of existing weapons supplies, we devised the Nuclear Non-Proliferation Act as an attempt to prevent the spread of reprocessing and enriching equipment around the world so that we could prevent the spread of nuclear weapons to more and more nations while we tried to get control of the bigger problem.

Now, we debated at that time very seriously and at length. I do not know how many hundred hours we spent talking privately back and forth with the administration and in offices here about the best way to do this, whether it was to get American business involved everywhere, in every deal all over the world and hopefully have a good influence, or would it be more productive if we went the government-to-government route, put some restrictions on, and tried to prevent the spread.

After much debate here, it was decided we would go that second route, that we would go the government-to-government route, and I think we may have a basic disagreement on this. I do not know whether we do or not.

Mr. SHULTZ. No, sir, I agree with that.

Senator GLENN. OK, good.

But your statement earlier this morning implied that in matters nuclear we need to be part of the action. Well, I would not disagree with that if we can do it under the right controls. But what we have found is that when the new administration came in, there was a transition team report suggesting we undo all this and basically open the floodgates again to sell. Now, perhaps that overstates it a little bit, and Jim Buckley behind you may agree slightly with that, but that is basically what was suggested.

Mr. SHULTZ. I will get Jim to come up here. He is a strong advisor.

Senator GLENN. Fine with me. I would welcome him.

But basically, it was proposed to really weaken the Nuclear Non-Proliferation Act.

Well, that did not go through, but in recent months we have seen where there are a number of changes now, ranging from allowing a programmatic approach for reprocessing and return of plutonium to the nation that sent it in, to talking about starting commercial reprocessing here when it is the wrong signal to send to others and we do not really need it now.

In the Carter administration I fought that fuel shipment to India because of their misuse of exported materials and their refusal to accept full-scope safeguards, and we lost that one.

Now this administration is prepared to send arms to Pakistan, even though Pakistan has not upgraded their safeguards. There has been talk at least that the administration is preparing to let India reprocess Tarapur fuel. I do not know whether that is correct or not. The administration wanted to overlook—they did overlook the South African efforts to get nuclear fuel through American brokers. We took no action to try and prevent that.

These are quite a number of things that indicate a real change in our nuclear nonproliferation policy.

Now, I do not know where we are going and I do not know what your view on this is, and I would like to really know what your view is and whether you think business-to-business should be the route or government-to-government is the route. In any case time is running out.

I have welcomed all the nuclear freeze talk because it finally focused some world attention on something that some of us here have been working on since 1976 and could not get much interest in it whipped up. And one of the reasons I did not sign on to some of the original nuclear freeze proposals was because I did not think they did anything, quite frankly. In this area of preventing nuclear spread to more and more nations, they did not do anything. They did not involve other nuclear weapons states that are involved in the whole process. The Soviets are not going to take their arms down to low levels as long as Britain and France are free to build theirs up, for instance. So they just did not do that much and we needed some additional steps in there in addition to any nuclear freeze.

Let me add another item to the list of things. A year ago when the President was preparing to go to Ottawa, to the economic summit, we passed in the Senate a resolution on nonproliferation I submitted, by a vote of 88 to 0. In that resolution—it was just after the Baghdad raid—we asked the President, since some of the major

nuclear suppliers were going to be at Ottawa, to bring this matter up and see if we could not get some agreement on preventing the spread of enriching and reprocessing equipment and really make it stick. He did not even bring it up up there.

This year I again submitted and we passed virtually the same resolution, before he went to Versailles, by a vote of 96 to 0. Once again it was ignored. It was not even brought up at Versailles to the best of my knowledge, and that is the report we got back, the classified report after the Versailles summit.

Now, this just shows a whole changing attitude toward matters nuclear that is very disturbing to some of us that have worked in this field for many, many years, and I know this is more of a statement than a question, but do you think we should keep this—I will make it a question—do you think we ought to keep this government-to-government? Are we really behind the NNPA? Are we giving it lip service on one hand and trying to undercut it on the other?

What is your view on this, because you will be the key man in this area?

Mr. SHULTZ. First, I think the problem is a problem of great importance and deserves high priority attention.

Second, I think that it is essentially a government-to-government type of problem, particularly since what it is dealing with in the end is nuclear weapons. Private interests have no business with nuclear weapons.

Now, it has been in our tradition, having said that, going right back into the Manhattan project, that private companies have come in and under governmental contract, managed on behalf of the government various kinds of facilities. The duPont Co., for example, played a key role, as did Carbide, I believe, and some others in the whole process there, and private companies do today. That has worked well. It has been a good arrangement as far as I know, and I do not see any reason why that should not be continued.

We have sold nuclear powerplants around the world as promoted, really, by our Government. Private enterprises have responded to that. We have done so on the understanding with the people who bought those plants, that they would be supplied with the fuel for them. And I think that we have to be faithful to that commitment.

Now, in the case of a country like Japan, for example, I think a very reliable country, sophisticated country, they have no domestic sources of energy, so reprocessing is of great importance to them just from the standpoint of their electric power. So I think that it is something that we should want to have Japan do, and that is in the nature of part of this decision, but more than that, with countries like Japan and Germany, but not in any profligate sense at all, if they wish to work with us on technology such as that involved in reprocessing, we should do so only in the framework of a careful understanding with them of how they are going to handle that technology so that we develop at least in the way I see it at this point a network of understandings among key countries that have scientific and engineering capability and after all are going to be able to think of things that we can think of, that prevents the

spread of weapons oriented or potential technology and fuels. It is a matter of great importance.

I fear that if we are not willing to work with others, they are going to go their own way and we will miss the chance to develop solid understandings with them.

Senator GLENN. Well, I want to work with them, too, but would your working with them include sending reprocessing and enriching equipment to other nations around the world?

Mr. SHULTZ. Well, other nations around the world is a big phrase. I think we would have to go case by case, and be very careful about it.

Senator GLENN. I have no concerns about the Japanese, but it is difficult, then, to tell other countries we trust you less than we trust the Japanese when they want similar equipment. And besides, a lot of the early need for reprocessing and enriching plants to extend fuel life has gone by the board because we now have far more uranium in the world than we thought we had, and far more enriching capacity in the world now than is really needed in the near future for the world's nuclear community.

Mr. SHULTZ. I think that is an important point, and one of the things that has emerged and has not been realized is how much greater use now the nuclear powerplant gets from a given increment of fuel. They burn longer, and of course, that also means they burn down more, and to the extent we are worrying about plutonium, the potential for plutonium and its quality is reduced a lot by that very fact. So that is all to the good.

But I agree that the situation is changing somewhat.

Senator GLENN. I hope that we can have at this end of the avenue no surprises in this field because we have worked very hard on this. We have worked back and forth together on this as much as we possibly can, and in the last administration and this, it has been pretty much a bipartisan effort. We have not always been in agreement with either administration. In fact, I was the biggest critic of the Carter administration for that nuclear fuel sale to India. But I lost that fight.

But this is something that I think we have to keep on the front burner and keep emphasizing. We sometimes get the feeling time is running out on us here because we know that laser isotope separation and some new technologies like that are right around the corner, and I have no doubt we will have that in a few years. And when that becomes practical, we are going to have a situation in which almost every nation that wants a bomb will probably have a bomb unless we have worked out some sort of international means of control in the interim period. And the only one we have now is the SALT process and the NNPA. And if we can devise something new together, bless you. I hope you can come up with it, and we want to work together on it.

But time is really running out on us, and I just felt the press of this matter for so long that I just cannot overemphasize how strongly I feel about it. As we see more and more nations join the nuclear club, it just means we have more and more danger in the world, and somehow we have to get back to where there is some sort of control over all this, and we are not going to do it by just spreading the equipment around the world and hoping for the best.

Mr. SHULTZ. Senator, you are well known for your interest in this subject, and more than that, for your expertise in the subject, and I will welcome a chance to work with you, consult with you in this area and benefit from your advice and views.

Senator GLENN. Thank you very much.

Let me just ask a couple more questions if I might, and these are on different subjects.

Back to the Mideast again, what do you think the role of Jordan can be in getting a comprehensive settlement? Are they vital to this?

Mr. SHULTZ. If it is a comprehensive settlement, it has to involve the Jordanians. They are right there.

Senator GLENN. I think so, too. I think they are key to a lot of this.

Under arms control, the President has said that the administration will refrain from actions which would undercut existing SALT agreements so long as the Soviet Union shows similar restraint.

At a committee markup session on June 9, a State Department representative, Chris Lehman, equated "grossly inconsistent" action with those which would "undercut." There may be a fine difference there.

In your own view, what is and what is not undercutting?

Mr. SHULTZ. I think one of the problems in the debate about that is that it is kind of a loose understanding, and in a sense, necessarily so because if an effort is made to really tighten it up, then you get yourself involved right away in renegotiating the SALT II Treaty and trying to get it into a form that would be satisfactory to the President and ratifiable here in the Senate, which it was not when it was first sent up here. And I think that at this stage, the important thing is to work on reduction and concentrate on the talks now going on, and not be distracted by another debate on SALT II.

Senator GLENN. I agree, but it may take many years while we negotiate that with the Soviets, if past history is any indicator.

Why not put a limit on here which is the SALT II limit so we at least do not go above that and the Soviets do not go above it while we are negotiating the reduction.

Mr. SHULTZ. Well, we do have this understanding that you referred to that is in its way being adhered to as far as we know.

Senator GLENN. Well, I do not know what grossly inconsistent violations would be and what undercutting is, and it is all so vague that we could do anything and they could do anything, and we could say we were legal.

Mr. SHULTZ. It is a very loose kind of an implicit understanding.

Senator GLENN. I would prefer to have an agreement of some kind that the President signs even as an executive agreement. In fact, I think you could ratify SALT II now if the President got behind it because we can verify it adequately now where we could not a couple of years ago. We have new ways of doing some of those things now.

But if we cannot ratify it, at least the President could make an executive agreement which at least would make it more than just a personal thing between Reagan and Brezhnev, make some sort of official action here that at least locks it in a little bit more, it

seems to me, and that would be at least a step forward while we are negotiating the reductions.

If we do not undercut, will we respect all the terms and provisions of SALT I and SALT II?

Mr. SHULTZ. I understand the word "undercut" refers to both treaties.

Senator GLENN. I think that is correct.

And we will respect the SALT ceilings?

Mr. SHULTZ. I think that would fall within the general notion of undercut.

Senator GLENN. Now, I wonder what our reaction would be if the Soviets only refrained from grossly inconsistent action? Would we call them on it? At what point does it become gross and what point is it acceptable?

Mr. SHULTZ. The negotiations that we have underway, which I think are perhaps appropriately described as deadly serious, are extremely important, and I think we all have a stake in not having them derailed by behavior in some other forum or in some other way that is grossly inconsistent with the notion of reduction in nuclear armaments.

Senator GLENN. Yes; coming back to grossly inconsistent.

Mr. SHULTZ. Well, is inconsistent.

Senator GLENN. We will be consistent on behavior that is grossly inconsistent.

Mr. SHULTZ. Well, I will drop the word "grossly."

Senator GLENN. Will we continue to retire submarines to stay within the SALT limits?

Mr. SHULTZ. You are asking me a question that I do not want to just come off the top of my head on, and I am not that versed in the subject, Senator.

[The following information was subsequently supplied for the record:]

POLARIS DISMANTLING UNDER SALT

We have begun dismantling of a submarine in accordance with Interim Agreement procedures. No further action is now needed in this regard. The Soviets have also dismantled a number of Yankee-class submarines.

Senator GLENN. All right.

There are a number of specifics on some of the nuclear matters here that I will not go into since the hour is late and it is almost—it is 5:00 o'clock. Let me get on one other one here.

I am concerned that nuclear nonproliferation is not getting the kind of high-level coverage that it has deserved in the State Department. James Malone, who has been Assistant Secretary for this area, has been nominated as Law of the Sea ambassador. I guess he is in somewhat of a lame duck status at the moment. Under Secretary Kennedy, has been given a lot of authority in this area, but he has to divide his time on other major areas that normally would require full-time attention; for instance he is the key administrative manager at State and is IAEA ambassador. And Mr. Buckley, who is with us here today, used to oversee the nonproliferation field. I guess you are to become counselor, is that correct? It looks like the whole team on nonproliferation has fallen apart over there.

Do you have people already set to go into that and start working on it?

Mr. SHULTZ. It is an important area and needs good people, and I cannot respond to your question in terms of a big list of my own that I am ready with.

Senator GLENN. You do not have them selected yet. No one has been selected yet as far as your——

Mr. SHULTZ. Well, as far as I am concerned there have not been any selected. I do not know what the personnel pipeline looks like in that area.

Senator PRESSLER. Senator Glenn, we will have to finish. Perhaps you can be first in the morning.

Senator GLENN. All right. Just 1 minute, Mr. Chairman, and then I will be finished with all my questions and will not have to come on in the morning, probably.

I just want to make a short statement. I suggested something to Secretary Haig when he was here that was not entirely in jest. You look at the Mideast and you look at some of the major problems in the world, and they all center around our differing beliefs in God; the problems in the Mideast are problems of Arab and Israeli, Jew and Christian, and the problems between Iran and Iraq are based in different versions of the Muslim religion.

And I suggested to Haig, not completely in jest, that perhaps it was time that we got some advice in this area in the State Department. I do not think it would be unreasonable necessarily to have a priest, a pastor, a rabbi, a mullah, a Buddhist priest, an animist. I do not care, whatever the religion is, it is going to give us trouble across southern Asia and other parts of the world. Perhaps it would be good if we had some of these people trying to foresee trends in their religions, because right now the big fears around the Persian Gulf, I can tell you from a couple of trips over there this year, are not necessarily all tied up in Israel. They are tied up in what happens when the Shiite Ayatollah's troops come around through Kuwait and start down the western side of the gulf. They are petrified of that, and religious differences once again. There is concern about the efforts that the Ayatollah and the people out of Iran are making in the Shiite community in each one of the nations around that area, and it just seems to me that maybe we can look into some of these basic religious differences and maybe foresee some of these trends that we did not foresee before the Ayatollah came in and maybe do something about it. The Muslim religion in particular, with all its varied stripes, stretches clear from Morocco to Mindinao in the Philippines, and with things going on in each one of those countries that involve one sect within the Muslim religion against another.

It just seems to me that a lot of our difficulties are revolving around that and perhaps we do not pay enough attention to some of the religious differences.

Mr. SHULTZ. May I respond?

Senator PRESSLER. Yes.

Mr. SHULTZ. I would like to respond because I think it is a very thoughtful statement, and I would respond, if I could, by rereading a portion of my testimony. Today's violence should not cause us to forget that the Middle East is a land of deep spirituality where

three great religions of our time were born and come together even today. Some have suggested that it was only natural in a land of such vast, harsh and open space that men should be drawn toward the heavens and toward a larger sense of life's meaning. Whatever the reasons, the force of religion in this region is as powerful today as ever, and our plans for peace will be profoundly incomplete if they ignore this reality.

Senator PRESSLER. I am going to call on everybody to continue this tomorrow at 10 a.m.

At this point the Secretary and his party may depart. We thank you for your testimony, and if the police could escort the Secretary and his party out first, would everyone else respect that, please. Would everyone else remain in their seats until the Secretary and his party have departed.

With that, I shall conclude this meeting. We will start again at 10 in the morning.

[Additional questions and answers follow:]

STATE DEPARTMENT'S RESPONSES TO ADDITIONAL QUESTIONS SUBMITTED BY SENATOR PERCY

Question 1. Do you believe that key Committees of Congress should be consulted in advance of major Presidential policy decisions, and provided an opportunity to consider the realistic options facing the President, or do you think it is unrealistic to expect such a role for Congress? What will your approach be for such matters?

Answer. I have always believed that the Senate Foreign Relations Committee and other appropriate Committees have an active and direct role in the formulation of U.S. foreign policy and I intend to put those beliefs into practice. I believe it essential that I inform the President of the Committee's views on various courses of action he will have to consider. I can discharge this obligation only if there is an active partnership between the State Department and key Committees recognizing a distinction between consultation and prior notice. A genuine dialogue between the Department and Congress is a vital precondition for a coherently developed foreign policy and essential to its success.

I personally will make every effort to work closely with the Committee and, specifically, will attempt to be available to testify before the Committee whenever possible. I will also instruct my subordinates in policymaking roles to work closely with the Committee and other interested Members by sharing information and seeking your views on various possible courses of action.

We will obviously have policy differences from time to time—that is natural in our form of government. But whatever they may be, I don't want to see them encumbered by unnecessary quarrels between us over procedures and consultation. For my part, I will make every effort to conduct our business so that these issues do not arise.

Question 2. Do you have reservations about the ability of this Committee to maintain secrecy of information and opinions provided by your Department in confidence? Are there steps which could be taken to increase your confidence in this regard?

Answer. I share my predecessors' confidence in the Committee. Secretary Vance developed very liberal guidelines as to sharing information. Secretary Haig reaffirmed them. I have now reviewed them and intend to follow them (a copy is attached).

DEPARTMENT NOTICE

CONGRESSIONAL ACCESS TO DEPARTMENTAL INFORMATION

In order to meet the objectives of the Secretary's memorandum of April 5, this notice authorizes and encourages all officers to provide prompt and forthcoming support to Congressional needs for Departmental information within the general guidelines set forth below.

Apart from consideration of efficient policy-making, goodwill, and productive Congressional relations, Congress has a right to information. The only statutory and

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other justifications for withholding information, including classified information, from Congress are set forth in Section II D within.

These guidelines do not constitute a complete codification of all types of Congressional requests and needs and Departmental responses or initiatives. As indicated herein, there is a range of appropriate responses ranging from full compliance in a great majority of cases to flat denial in certain limited instances with many reasonable and appropriate intermediate courses of action, and decisions must be made on a case-by-case basis. This notice does provide guidance for a substantial proportion of Department-Congress contacts under which information is sought and provided.

I. Unclassified Information: Oral and Written Requests for Written Material and Oral Briefings

Such requests should continue to be handled promptly under the framework of existing procedures.

Departmental officers are encouraged to increase the number of unclassified briefings provided to Members of Congress, Committees, and Congressional Staff Persons, both in response to requests and on the initiative of the Department.

II. Classified Information: Oral and Written Requests for Written Material and Oral Briefings

A. RECEIPT, DEFINITION, AND PURPOSE OF REQUEST

Requests for Departmental classified information may be received in written or oral form by H or directly by bureau officers, who should promply notify H. Wherever possible officers should encourage that requests be made in correspondence signed by a Member of Congress and addressed to the Assistant Secretary for Congressional Relations. If this is not feasible, the officer receiving the request should record it in a brief memorandum, with a copy to H.

The officer receiving the request should attempt to get the clearest possible definition of the classified information that is being sought and the purpose for which it is needed. Discussion of these points often results in refining the request and in making the response more relevant and feasible. Repeated efforts to narrow the inquiry may be necessary when compliance would cause undue burdens and/or expenses on the Department for little or no apparent purpose.

B. REQUESTING PARTIES AND CLEARANCES

The authorized requesting party may be a Member of the Congressional leadership, committee or subcommittee chairpersons or members, individual Members of Congress, or cleared staff members of Senators or Representatives or committees. Cleared staff persons are entitled to the same access to information when authorized by the Member.

H will be responsible for maintaining current information on the clearances of Members of Congress and Congressional staff persons or obtaining such information as required on a case-by-care basis.

C. PROCESSING OF REQUESTS

Bureau Congressional Relations Officers are responsible in the first instance for the handling of Congressional requests for classified information upon receipt from S/S, H, or directly. In all cases, H should receive a copy of each request. All action officers should be guided by the following principles.

1. Any classified document should be reviewed initially for possible downgrading or declassification.

2. The request should be met as fully and thoroughly as possible within the limitations set forth in Section D. The quality, candor, and thoroughness of the response is of primary importance.

Inquiries regarding actions or decisions previously taken should be met fully, including an account of the circumstances and factors involved, and reasons for the decision or action chosen. Special memoranda, chronologies, or summaries, with appropriate backup documentation, particularly when accompanied by offers of oral briefings, may answer Congressional needs better than more voluminous literal responses to requests. The optimum form in which information is provided will, therefore, need to be determined in the particular circumstances of each case in order to satisfy both Congressional need to know and applicable constraints set forth below.

3. Congressional requests for information require prompt as well as responsible handling. The timeliness of the response may be essential. If compliance with the 3-day rule is not possible H should be consulted to set an appropriate deadline.

4. In a substantial majority of cases bureaus will be able to determine how requests should be answered or not answered, in consultation with H and L as appropriate, and the response will be returned to the Hill by H. If the bureau and H agree, a bureau officer may be asked to accompany and to explain the response.

5. If a bureau differs with H on a substantive response, whether positive or negative, the matter should be promptly referred by the action office within the established deadline, with the views of the bureau, H, and L clearly indicated, to the Deputy Under Secretary for Management for decision by M or, on reference from M, by another Seventh Floor principal as appropriate.

6. Physical possession of any classified information requires adequate storage facilities and access control, and H, relying on SY advice, is responsible for determining whether adequate security arrangements exist. The only circumstances in which Members who are given access to classified information should normally be asked to read but not retain such material are when: (a) no adequate storage/control facilities are available, or (b) the document is so sensitive that comparable access limitations are enforced in the Department, e.g., HODIS, EXDIS, etc.

D. CONSTRAINTS

The following constraints may require editing of material provided, or partial or full refusal of Congressional requests, although as much information as possible that does not fall within the purview of these limitations should be provided in all cases. Differences as to the applicability of these constraints will be resolved as provided in C.5 above.

1. Release of the information requested may be limited or proscribed by statute, regulation, or Presidential Order.[1] Consultation with the Legal Adviser's Office should occur on difficult issues. (Note: Conversely, a statute, regulation, or Presidential Order may provide for disclosure of the requested information to Congress or to the public.)

2. Documents should be provided in a form that does not identify drafting officers of proponents or opponents of particular views or positions in order to protect the internal deliberation process. Similarly, information revealing internal discussions and recommendations should not be provided.

3. Information revealing intelligence sources and methods should be protected.

4. If the information requested constitutes advice or recommendations to the White House or it originates in the White House or another Agency, the requester should be referred to the Agency controlling such information.

5. Information obtained under conditions requiring agreement of the originator for release (e.g., confidential communication from foreign governments, proprietary information, etc.) should not be released without such agreement.

6. Records of negotiations ordinarily cannot be provided. However, where compliance is deemed essential, the matter should be discussed with L to determine whether summaries of other handling would be appropriate.

E. SPECIAL HANDLING

While the basic terms of this notice apply to the bulk of Congressional requests, special handling is required in some cases. Documentation under the control of S/S requires S/S clearance and release. BF/OAG coordinates all requests of GAO, which are to be handled on the same basis as Congressional Committee staff requests. Requests for intelligence material should be referred to IRR; for inspection information to S/IG; for budget information to A; for personnel information to DGP. These offices are responsible for developing their own further internal guidance, in coordination with E and L, and will keep E fully informed of their actions on Congressional requests.

F. INQUIRIES TO THE FIELD

Field posts receiving Congressional requests should be guided by these instructions; in the case of GAO, additional guidance is provided by BF/OAG. Problems should be promptly referred to the Department.

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[1] (Only the President may invoke executive privilege; no other person may assert it or decide on the President's behalf to invoke it. The Department may recommend that he invoke it, but such a recommendation would be made only when deemed absolutely essential.)

G. ORAL BRIEFINGS

When classified material is requested in oral briefings, or altenatively when an officer takes the initiative in offering an oral briefing containing classified information to Members of Congress or their staffs, the guidelines above are applicable. Department officers are encouraged to provide frequent oral briefings, including classified information, under appropriate circumstances to Members of Congress and their staffs.

III. PROVISION OF OTHER INFORMATION TO THE CONGRESS

After consultation with the bureaus concerned, and the concurrence of M if there are differences of view, H will discuss with relevant Congressional Committees their interest in receiving on a systematic basis regular or periodic Departmental briefings, and/or written products, classified as well as unclassified, which might be helpful to enable them to better fulfill their responsibilities, such as Current Foreign Relations, CERPs, certain IRR reports, etc. and undertake to provide the appropriate briefings and material.

After consultation with the bureaus concerned, H will offer to interested committees situation reports, briefings, and other material on crises and other situations of special topical importance, and arrange with the appropriate bureaus to provide the same.

This Department notice places substantial, enlarged responsibilities on bureau Congressional Relations Officers and the office of the Assistant Secretary for Congressional Relations. They will need the full cooperation and support of all bureaus in carrying them out.

This material will be codified in the Foreign Affairs Manual.

BIPARTISANSHIP

Question 3. What are your views on the meaning and importance of the term "bipartisanship" in U.S. foreign relations? Do you think that there is a danger that foreign policy will become increasingly partisan in the next 2 years?

Answer. American foreign policy must in general reflect consistency and reliability. Unless our actions and reactions are on the whole dependable, we risk misleading our adversaries, confounding our allies and unsettling world leaders everywhere. To obtain this reliability and consistency over time—and I speak here not just from year to year but from administration to administration—requires a broad bipartisan consensus among the American people. I rank among my foremost tasks the strengthening of such a consensus.

Having spoken in favor of a broad bipartisan consensus, let me add that nothing in the world could—or should—prevent a lively exchange on the great issues of our day. Such debate benefits us all.

LEGISLATIVE ACTIVITIES

Question 4. Do you think that Congress has legislated excessively in the foreign affairs area during the last 15 years. Are there any particular statutory requirements which you would prefer to see changed or repealed? In particular, do you favor the retention of the legislative veto provision on major arms sales?

Answer. I believe that the substantial increase in the volume of foreign affairs legislation over the past 15 years has inevitably resulted in some laws that do not consistently operate in the best interests of the United States. I think it is of the utmost importance that there be full consultation between the Congress and the Executive on legislative proposals that would affect the President's conduct of foreign affairs, and that cooperative efforts be made to develop legislation that will achieve worthwhile policy objectives without imposing unnecessary rigidity. With respect to the legislative veto procedure, I would prefer to see legislation which provides substantive guidance to the Executive and contains procedures for effective oversight by Congress, without involving Congress directly in the execution of the laws it has enacted.

ACCESS

Question 5. Do you have any reservations about allowing this Committee or other Committees of Congress direct access to information and analysis developed by your Department, as distinguished from the specific views or recommendations of individuals or bureaus?

Answer. I have no reservation about sharing information with the Congress to the fullest possible extent. I recognize that the Congress must be informed in order to carry out its constitutional responsibilities. Obviously, questions can arise about the form and manner for providing sensitive information to Congress in particular cases and it is sometimes difficult to separate analysis from the views of the analysts. However, I would certainly try to work with the Congress in minimizing friction in this regard.

Question 6. What kinds of information would you think it necessary or appropriate to withhold from this Committee or other Committees of the Congress?

Answer. While there are special procedures for certain kinds of information such as intelligence, I would not want to list any particular categories of information that would never be shared with the Congress. I will work within established procedures to be as forthcoming as possible.

TREATIES AND AGREEMENTS

Question 7. Many commentators over the years have lamented what they consider to be the difficult hurdle of obtaining the support of two-thirds of the Senate for complex or controversial treaties. Do you share this concern?

Answer. Article II, section 2, of the Constitution provides that the President "shall have Power, by and with the Advice and Consent of the Senate, to make Treaties, provided two thirds of the Senators present concur." Although some commentators have expressed concern at the difficulty of obtaining support of two-thirds of the Senate for complex or controversial treaties, I have no doubt that this Administration will be able to work constructively with the Senate within the Constitutional framework adopted by the Founding Fathers.

WAR POWERS

Question 8. Would you outline briefly your understanding of the obligations of the President under the War Powers Resolution of 1973? Do you have any reservations about complying in full with both the spirit and the letter of these obligations?

Answers. In the case of an introduction of U.S. Armed Forces into foreign territory while equipped for combat, the President is obligated under Section 4 of the War Powers Resolution to submit a writtern report to Congress within 48 hours; in the case of an introduction of U.S. Armed Forces into hostilities or situations where their imminent involvement in hostilities is clearly indicated by the circumstances, the President is obligated under Section 3 of the Resolution to consult with Congress in every possible instance prior to such an introduction, and in addition to provide a written report to Congress under Section 4. I have no reservations whatsoever about complying in full with both the spirit and the letter of these obligations.

Question 9. Since you were a member of President Nixon's Cabinet at the time he vetoed the War Powers Resolution and argued its unconstitutionality, do you regard any aspect of the Resolution as being unconstitutional?

Answer. I understand that questions have been raised from time to time about the constitutionality of certain aspects of the Resolution. I have not had an opportunity to explore these questions. However, I assure you that this Administration has every intention of complying fully with the consultation and reporting requirements of the Resolution, and as a practical matter I can foresee no likelihood of any dispute arising between Congress and the Executive Branch on these matters.

Question 10. In your view, what types of U.S. military activities or operations in Lebanon would trigger the consultation and reporting provisions of the War Power Resolution?

Answer. The introduction of combat-equipped U.S. Armed Forces into Lebanon would trigger the requirement of Section 4 of the Resolution for a report to Congress within 48 hours. The introduction of U.S. Armed Forces into hostilities or a situation where their imminent involvement in hostilities is clearly indicated by the circumstances would trigger both the reporting requirement of Section 4 and the requirement of Section 3 for prior consultation with Congress in every possible instance.

Question 11. Former Deputy Secretary of State Warren Christopher wrote recently of the need for a new "compact" or set of understandings between Congress and the Executive Branch to reduce the inefficiency and damage resulting from excessive Congressional involvement in foreign affairs management, on the one hand, and the need for greater Executive Branch sensitivity to Congressional and public opinion on the other.

a. Do you think discussions along these lines are needed and would be productive?

b. Do you have any specific suggestions as to how the process of Executive-Congressional cooperation can be improved?

Answer. If we are determined to have the genuine dialogue I have already discussed above, then such guidelines are not necessary. If either side falters in its commitment to this dialogue, then guidelines will not change the results.

Question 12. What are your expectations regarding the role of the Assistant to the President for National Security Affairs in the Reagan Administration? Do you have any understandings with the President or with Judge Clark himself regarding his function and limitations in that position?

Answer. The President controls U.S. foreign policy and the policy will be his.

National Security Decision Directive #2 establishes that the Secretary of State is the President's "principal foreign policy advisor. As such, he is reponsible for the formulation of foreign policy and for the execution of approved policy." NSDD–2 also assigns to the Secretary of State "authority and responsibility, to the extent permitted by law, for the overall direction, coordination, and supervision of the interdepartmental activities incident to foreign policy formulation, and the activities of Executive Departments and Agencies of the United States overseas."

NSDD–2 stipulates that the National Security Advisor is "responsible for developing, coordinating and implementing national security policy" as approved by the President, "in consultation with the regular members of the NSC."

Bill Clark and I both serve the President, and we expect to serve cooperatively and loyally. The relationship will be one of teamwork.

Question 13. Would you object to the NSC Adviser or his deputy performing any of the following functions: meeting officially with foreign leaders and diplomats; leading U.S. delegations abroad; holding press conferences and making public appearances as a spokesman for the Administration on foreign policy matters?

Answer. I believe the Secretary of State should be the primary point of contact with foreign leaders and with diplomats in Washington. The President naturally is the primary voice articulating American foreign policy to the American people, but on day-to-day foreign policy matters I believe the nation will be best served if the Secretary of State is the responsible spokesman. I would not anticipate that the National Security Adviser would lead delegations abroad.

Question 14. Do you think there are circumstances under which the NSC Adviser should be expected to appear before Congressional committees?

Answer. No.

Question 15. Resources: Since 1960, the number of U.S. embassies, missions to international bodies, consulates and liaison offices overseas has increased from 165 to 250 (approximately 51 percent), but the number of State Department Foreign Service Officers has declined from 3,717 to 3,500. Despite the decline in diplomats, the work has increased considerably—for example, consular work has increased 900 percent and Washington's demands for reporting cables by 400 percent. In light of the above and the fact that the Department's operating budget is one of the smallest of all government departments, what is your view of the Department's needs for resources to support you in carrying out the President's foreign policy?

Answer. While I have not had the opportunity to examine the Department's resource requirements in detail, the Department of State is clearly a critical element of the nation's national security apparatus. It should get all the resources it needs to serve the President well. I intend to see that we use our resources wisely and efficiently, and to insure that any new requests for resources are carefully and persuasively justified in accordance with the President's policies and programs.

Question 16. Organization: Despite dwindling resources, there has been a proliferation of new bureaus of the Department of State. There now exist approximately 22 assistant secretaries or their equivalents in the Department. Do you foresee any major reorganization of the Department which would consolidate the functions of some of these bureaus?

Answer. I have always expected efficient management practices to apply in government as well as in private industry. As part of my duties as Secretary, if confirmed, I plan to review the organization and procedures of the Department.

I should point out, however, that much of the proliferation of new bureaus in the Department over recent years has been in response to new functions undertaken by the Department in light of international developments and often at the strong urging of the Congress. This is true with respect to the Bureaus of Oceans and International Environmental and Scientific Affairs [OES], International Narcotic Matters [INM], Refugee Programs [RP], Human Rights and Humanitarian Affairs [HA].

Question 17. Ambassadors: In recent years, the practice of awarding ambassadorships as political rewards rather than on a straight merit basis has drawn considerable criticism from the Foreign Service and from this Committee. Is it your inten-

tion to increase the percentage of Foreign Service officers who receive appointments? For non-FSO appointments, is it possible for the Department to employ a screening process, such as that used for judiciary appointments, to ensure that such appointees are highly qualified?

Answer. The Reagan Administration firmly believes that the best possible individuals must be appointed to represent this nation abroad. It seeks to tailor ambassadorial choices to meet the unique circumstances of our relations with a particular country.

In the Administration's view, a view which I share, the issue is qualifications and not the career or non-career status of the candidate. I understand that the mix of ambassadors appointed or retained by President Reagan is consistent with the mix under all other Presidents for the last 20 years—between 65 and 75 percent. The Administration's current percentage of career ambassadors is approximately 70 percent. I think this is about right, but obviously it will vary up or down a few percentage points depending on circumstances.

With regard to a screening process for non-career appointments, it is my understanding that such a process exists in effect in the White House, which of course consults the Department on every noncareer appointment.

Question 18. Ambassadors at Large: Over the last several years, there has been a growing tendency to name special advisers to the Secretary of State as Ambassador at Large. Some have criticized this practice as creating additional bureaucratic layers, detracting from the authority of bureau assistant secretaries, and lessening the status of ambassadors as personal representatives of the President. Do you approve of this practice? Do you intend to reduce or eliminate those positions in your office?

Answer. At present there are three Ambassadors at Large: General Vernon Walters, Daniel J. Terra (for Cultural Affairs), and H. Eugene Douglas (for Refugee Affairs). I understand that this is fewer than there were under the previous Administration.

I believe the number of ambassadors at large should be kept to a minimum. However, I do think that under certain circumstances the special rank and title of ambassador at large is appropriate for an individual with a particular portfolio.

Question 19. Role of National Security Council: In the past, there have been conflicts between the National Security Adviser and the Secretary of State which caused confusion abroad concerning U.S. foreign policy. What do you envision as the NSC's role vis-a-vis the Department's? Through what organizational mechanism will the Department interact with the National Security Council?

Answer. The President has established the policymaking structure of the administration in National Security Decision Directive 2, which defines the relationship of foreign affairs agencies to the White House. There is a formal system of interagency and senior interagency committees to intergrate domestic and foreign policy considerations in dealing with international issues.

Question 20. Interagency Working Committees: Shortly after assuming office, your predecessor, General Haig, submitted a 20-page memorandum to President Reagan "urging that key interagency working committees be placed under the State Department's leadership." Under your stewardship, will the State Department now assume the lead with respect to the interagency management of international crises? Will the Department, in light of your background, assume a greater role with respect to the development of international economic policy?

Answer. The policymaking structure is established in National Security Decision Directive 2, which I have referred to previously. International crises of major proportions are managed by the Special Situations Group (SSG) established by the President and chaired by Vice President Bush. The Department of State and other national security agencies support the SSG when it is convoked. With regard to economic policy, international economic affairs evolve in a political context and invariably have diplomatic consequences. The Secretary of State is a major voice advising the President in such matters, but not the exclusive one, since many other parts of the government will have legitimate interests in the issues.

Question 21. Over the past 10 years, 14 diplomats were killed overseas by terrorists including 5 Ambassadors, 32 were injured and 90 were kidnapped. Do you consider that the Department is doing a satisfactory job of protecting our personnel abroad?

Answer. We have had casualties from terrorists over the past decade. Our diplomatic service works in a risky and sometimes very dangerous environment. Threats are increasing in Western Europe and the Middle East. There are over 14,000 American USG employees overseas of which 4,400 are employees of the Department

of State. We are dispersed around the world in some 253 posts (not counting 34 counsular agents) and about 500 installations. So we are vulnerable.

The primary responsibility for the protection of American diplomatic personnel rests with the host government under the Vienna Conventions. We have a similar obligation in the United States for foreign diplomats. Foreign governments have generally been very responsive to our security requirements. In a survey in 1981 we found that host governments are devoting some 3000 work years to the protection of our diplomatic establishment and it would cost us some $200 million if we had to duplicate that protection. We ourselves are spending over $100 million annually to protect our personnel and facilities. So the Congress has been very responsive to our needs.

We can improve our performance. We are taking steps to provide better training to our personnel, including our security officers, and we are spending substantial sums of money especially on strengthening our physical facilities to protect our personnel and information. Overall, I consider that we have a prudent level of security for our personnel but we have to keep the situation under constant review. We will do that.

Question 22. Parallel Services Problem: U.S. agencies responsible for specialized areas, such as defense, trade, finance and agriculture, send their own officials to foreign posts. As a result, only a small minority of Americans representing this country abroad are Foreign Service officers—fewer than 23 percent of the total of 16,000 American officials assigned to overseas missions. In your view, what type of control should an ambassador exercise over non-State Department government personnel assigned to an embassy? To whom should these individuals be ultimately responsible? Shouldn't the Department be concerned about the decentralization of the control of embassy personnel abroad. Doesn't this decentralization confuse host governments with respect to U.S. foreign policy? Do you believe that something should be done to enhance the control of ambassadors over government personnel assigned to embassies?

Answer. There is no question that ambassadors exercise full authority over all personnel assigned to their embassies whether they belong to the State Department or other agencies. This authority applies to all U.S. Government personnel in the country of assignment except for personnel under the command of a United States area military commander.

President Reagan, as have his predecessors back to President Kennedy, has sent each ambassador a letter stressing that the ambassador is the President's personal representative abroad and that he is responsible for directing, coordinating, and supervising the activities of all elements of the diplomatic mission under his authority. All such USG personnel in a foreign country are thus responsible to the Ambassador, and all agency heads with personnel overseas in embassies are aware of this authority. The President's letter indicates that his ambassadors overseas receive their instructions from him or through the Secretary of State, who of course is the President's principal adviser on foreign affairs.

I believe that the President's letter amply makes clear who controls embassy personnel abroad, and that host governments need only consult our ambassadors if any confusion on that score exists.

I cannot see how the President's views on the authority of ambassadors over personnel at their missions could be made any stronger or clearer.

RELATIONSHIP TO THE PERMANENT REPRESENTATIVE OF THE UNITED STATES TO THE UNITED NATIONS

Question 23. In recent months, the differences in opinion with respect to foreign policy between the Secretary of State and the U.S. Permanent Representative to the United Nations received a great deal of public attention. What, in your view, should be the relationship between the Secretary of State and the U.S. Permanent Representative to the United Nations? In differences of opinion, whose view should be controlling? Why is it necessary for the U.S. Representative to the United Nations to be a Cabinet member.

Answer. The Permanent Representative to the United Nations has the very important responsibility of carrying out Administration policy in the United Nations.

The Permanent Representative receives policy guidance from the President through the Secretary of State concerning U.S. positions at the United Nations.

It has been the practice of all Presidents since Eisenhower to have our United Nations Representative sit in the Cabinet.

Given this unique position and the wide range of complex and delicate issues we face in the United Nations, I certainly intend to work closely with Ambassador Kirkpatrick and look forward to a close and productive relationship.

STATE DEPARTMENT'S RESPONSES TO ADDITIONAL QUESTIONS SUBMITTED BY SENATOR LEVIN

Question 1. Do you believe we are inferior overall to the Soviets in capability of nuclear weaponry?

Answer. Although our nuclear deterrent remains effective today, there can be no disagreement that, in the overall strategic balance, the United States has experienced a long downward trend relative to the Soviet Union. In some critical areas, the U.S.S.R. has advantages over the United States that are not offset by U.S. capabilities in other areas.

As President Reagan said on March 31, the Soviets have a "definite margin of superiority, enough so there is a risk. . . ." He was referring to such concerns as the vulnerability of our ICBM force and the Soviet monopoly of intermediate-range nuclear missiles in Europe.

The President's arms control proposals are designed to achieve equality at substantially lower levels of nuclear weapons and destructive power. Our arms control approach complements the President's strategic modernization program, which is designed to correct existing deficiencies in U.S. forces and to sustain the credibility, surviviability and effectiveness of our deterrent.

Question 2. Do you believe we could retaliate against a broad range of Soviet military and industrial targets in the event of a Soviet first strike against our land-based ICBM's or do you believe we would be limited to an attack on Soviet cities?

Answer. One of the purposes of the "triad" concept is to provide a balanced capability to retailate against a broad range of targets, including hardened military facilities. This mix of strategic forces (land-based and sea-based missiles and long-range bombers) has been preserved because it complicates an aggressor's ability to attack our strategic forces, provides us with maximum employment flexibility and hedges against catastrophic failure—either through technical malfunction or hostile action—of one leg of the triad.

Nevertheless, due to inherent limitations in our currently deployed forces, a successful first strike against our land-based ICBMs would greatly reduce our ability to retailiate against hardened Soviet military targets, especially on a prompt basis. However, under current circumstances, the U.S. would not be limited to a counter-attack against Soviet cities alone, as our submarine-launched missiles and bomers, some with ALCMs, would have capabilities against Soviet military targets.

In view of the increasing first-strike capabilities of Soviet forces, the Soviet investment in anti-submarine warfare, the growing capabilities of Soviet air defenses, and the Soviets' continued effort to harden and protect important assets, it is necessary for the United States to take prudent steps to ensure the continuing effectiveness of all elements of the U.S. strategic triad. The President's strategic modernization program is intended to do this in order to maintain and improve our ability to deter Soviet aggression. In addition, the U.S. START proposal is intended to reduce the threat to U.S. deterrent forces and enhance the stability of the strategic balance.

Question 3. If we had to pick between retaining diplomatic relations with Mainland China or Taiwan, which would you recommend to the President?

Answer. On January 1, 1979 the United States recognized the government of the People's Republic of China and acknowledged the Chinese position that there is but one China and Taiwan is part of China. Within that context we made it clear that we would maintain commercial, cultural and other unofficial relations with the people of Taiwan. On April 10, 1979, then President Carter signed into law the Taiwan Relations Act, which provided the legal basis for our unofficial relationship with the people of Taiwan.

At present therefore we have diplomatic relations with the People's Republic of China and unofficial relations with Taiwan. I support this policy and would recommend no change to it.

Question 4. Do you believe it is consistent for us to sell wheat to the Soviets while urging our European allies not to build a pipeline? If so, why?

Answer. U.S. concern about the pipeline is based on the security implications of dependence on the Soviet Union for a significant amount of energy. There are no security implications in United States-Soviet grain trade. In addition, the sale of grain to the Soviet Union does not contribute to their technological capabilities nor does it provide them with a source of much needed hard currency, which the pipe-

line will. With regard to our Poland sanctions, these sanctions were not intended to be sweeping all-inclusive measures to cut off all trade. Rather the economic steps we took were a purposely measured response to the repression in Poland. Finally, a grain embargo would be sterile and ineffective without multilateral support. As the President stated, such an embargo should be used only under extreme circumstances and then only as part of a broader embargo.

Question 5. Do you believe we should seek human rights concessions, or concessions relative to Poland or Afghanistan, from the Soviets before we agree to sell them additional wheat?

Answer. Human rights concerns form an essential part of our relations with the Soviet Union involving not only issues of emigration, religious persecution, and restriction of political expression, but also Soviet instigated suppression in Poland and Soviet brutalities in Afghanistan. We are deeply concerned at Soviet suppression of basic freedoms and consider these actions a part of our major decisions on United States-Soviet policies.

With regard to linking grain sales to human rights in the Soviet Union or Soviet behavior in Afghanistan or Poland, an attempt at a rigid and direct linkage would severely damage the U.S. agricultural sector without succeeding in its objective. The Soviets can buy grain from other suppliers and withholding U.S. grain pending a change in Soviet human rights policy would amount to another sterile and ineffective grain embargo.

Question 6. How do you intend to get our "friends" who violate the human rights of their citizens to stop such violations?

Answer. We oppose the violation of human rights whether they are committed by friend or foe, but our choice of tactics will be guided by the test of effectiveness. It would not serve the cause of human rights nor meet this test of effectiveness if we were to make a habit of publicly attacking states with whom we have good relations. Our preference is for use of traditional diplomacy to discuss human rights problems. We believe this approach can get results and preserve the basis for making further progress on human rights problems in these countries. We do not, however, rule out public criticism. Particularly with respect to those countries where our private approaches do not seem to be working, or are ignored, we are not reluctant to speak out forcefully and to call human rights abuses to international attention in order to mount pressure against these practices. Our forthright statements concerning the U.S.S.R. and Eastern Europe at the Madrid CSCE meeting provide the best example of this kind of approach.

At the same time, we intend to work for the protection of human rights over the long term by promoting legal institutions and the forces of democracy. The exercise of individual freedoms can best be assured in democracies with free elections and by institutions which protect the rights of the individual.

We will be working quietly with friendly governments to improve such things as legal systems and electoral procedures to help establish the conditions that promote the cause of freedom in the long run.

Question 7. Do you believe that Saudi Arabia has directly or indirectly supported or funded terrorist acts against Israel?

Answer. Saudi Arabia, in common with all of the Arab States, recognizes the Palestinian Liberation Organization [PLO] as the "sole representative of the Palestinian people." At the Rabat Arab summit in 1974, the Saudis committed themselves to an annual contribution to the PLO, making it a substantial financial supporter.

At the same time, however, Saudi Arabia has publicly condemned "terrorism in all its forms," and has persistently argued that the Palestinians should reject the use of international terrorism as a policy instrument and should, instead, seek their objectives through political means including negotiations. In this context, the Saudis have, through the years, used their influence with the Palestinians to strengthen the hand of the more moderate elements within the PLO.

Question 8. Do you believe Camp David accords were a positive step toward peace in the Middle East?

Answer. Yes. Camp David lead directly to the first peace treaty between Israel and an Arab state, Egypt. This in itself was a major achievement. Camp David also provides a vehicle for resolving the Palestinian problem and establishing peace between Israel and the Palestinians, Jordan, and Syria.

Question 9. How can we help get Israel's neighbors, who are still at war with her, to negotiate peace with her?

Answer. The Palestinians, Jordan, and Syria ought to join in the peace process on the basis that Camp David is founded on UNSC Resolution 242 and 338, which all but the Palestinians have accepted. We understand their doubts about Camp David and their concerns that Israel is not prepared to be flexible enough to meet any of

the Palestinians' aspirations. We would hope that the arrangements we will be seeking for the traditional period; a truly full autonomy, will change their perceptions and encourage them to join us.

Question 10. Describe the specific portions, if any, of the President's speech of the B'nai B'rith in 1980 in which you did not occur.

Answer. As I said in my July 13 testimony before the SFRC, "My job is to help the President formulate and execute his policies." The President and I have discussed his Mideast policy in general terms and I can assure you that I will have no difficulty in supporting his policies in this as in other areas.

Question 11. Did you, or anyone at your request, contact or attempt to contact any U.S. Senators about the AWACS vote prior to the vote? Please describe such efforts.

Answer. I and others in my company supported the President's decision on the sale of AWACS to Saudi Arabia and we made that known to people. To be sure that it was known we had the manager of our Washington office, who is registered as a lobbyist, write to each Senator and let him know our point of view. I did not ask others in the company to contact Senators on this. I did not contact any Senators directly. So far as I know, our principal effort was that letter.

Question 12. Prior to the AWACS vote, did you have any discussions with any member of the Saudi government, ruling family or employee of Saudi government or family—relative to the sale of AWACS planes and F-15 enhancement package? Please describe such contacts.

Answer. Not that I can recall.

Question 13. Did you, or anyone at your request, contact any firm, company, or individual other than a U.S. Senator about the AWACS vote prior to said vote? Please describe such contacts.

Answer. We did not have an organized, systematic campaign on the AWACS sale. Obviously, as I and other officials dealt with our associates throughout the country, the AWACS subject would come up and we made no secret of our point of view. We did not, however, ask firms, companies, or individuals to twist anyone's arm nor did we go out and "contact" people specifically on AWACS. As I said, it was a topic of considerable interest. It obviously came up in a variety of discussions and we let people know that we supported the President's decision.

Question 14. Did you or your company contribute financially, or in any other way, to any organized lobbying effort directed at affecting the AWACS vote?

Answer. I have described the extent of our lobbying effort on AWACS. We had our registered lobbyist write a letter to each Senator. I am not aware of other financial support to any lobbying effort.

Question 15. Have you ever expressed, prior to your nomination, an opinion as to whether a former employee of Bechtel should serve as Secretary of State while another former employee of Bechtel is serving as Secretary of Defense?

Answer. No.

Question 16. If so, when, to whom, and what was the substance of all such statements?

Answer. N/A.

Question 17. Do you support the anti-boycott legislation aimed at reducing the impact of the blacklisting by certain Arab countries against firms doing business with Israel?

Answer. Yes. I participated in a business roundtable group led by Irving Shapiro which developed ideas on the Export Administration Act Amendments adopted in 1977, and I think it is a reasonable law.

Question 18. Why did Bechtel appeal a judgment to which it consented which prevented it from participating in any boycott of American companies blacklisted by certain Arab nations because they do business with Israel?

Answer. Let me recount some of the events leading up to that. Sometime in late 1975 the Government entered an anti-trust suit against Bechtel accusing Bechtel of violating the anti-trust laws by including in some of its contracts language pursuant to the Arab boycott. There were some contracts with that language but I should also point out that the U.S. Corps of Engineers, the U.S. Coast and Geodetic Survey also had clauses of that kind in their contracts. At that point there was no public policy on this issue. Subsequently, President Ford did make a statement of policy and Bechtel corrected the procedures to be in accordance with that.

Bechtel fought the anti-trust suit and filed what I believe was a very powerful brief. The law firm Hogan and Hartson here in Washington prepared that brief. Subsequently Bechtel and the Government signed a consent decree and I think if you would review subsequent antiboycott legislation you would see that the broad nature of that decree formed the basis for that legislation, that is the basic ideas that we worked out in the understood decree wound up in the law.

After the consent decree was agreed Bechtel found that the Government's interpretation of the decree had changed from what Bechtel thought it was at the time the decree was entered. Consequently, we objected to the decree because of the Government's changed interpretation. We carried through on the objection to the Supreme Court which in the end denied certiorari. In other words, the consent decree stood.

As I recounted yesterday, following this, Bechtel became involved through the Business Round Table with a number of Jewish organizations in working out an agreement on the boycott question and this agreement is now largely found in existing legislation.

[Whereupon, at 5:05 p.m., the committee recessed, to reconvene at 10 a.m., July 14, 1982.]

NOMINATION OF GEORGE P. SHULTZ

WEDNESDAY, JULY 14, 1982

UNITED STATES SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, D.C.

The committee met, pursuant to notice, at 10 a.m., in room 1202, Dirksen Senate Office Building, Hon. Charles H. Percy (chairman of the committee) presiding.

Present: Senators Percy, Mathias, Kassebaum, Boschwitz, Pressler, Pell, Glenn, Sarbanes, Zorinsky, Tsongas, Cranston, and Dodd.

Also present: Senator Barry Goldwater.

The CHAIRMAN. Secretary Shultz, we welcome you back to this committee on what I trust will be the final day of hearings.

Once again I would like to advise the committee that it is the intention of the Chair to complete the hearings today and to have a vote on the nomination so that it can be sent to the floor of the Senate. I think it is a unique situation that we face in the world today, and we should have a Secretary of State in place.

Senator Mathias will be recognized first as a member of the committee who has not yet been able to attend the hearing because of other official duties, and without objection, after Senator Mathias completes his 10-minute round, the Chair would like to recognize the distinguished chairman of our Intelligence Committee, Senator Goldwater, so that he might ask a few questions of the Secretary. Then we will continue where we left off last night.

Senator Mathias.

Senator MATHIAS. Thank you, Mr. Chairman.

Mr. Shultz, first of all let me offer my congratulations to you on your nomination by the President of the United States to be Secretary of State. Being nominated by the President is no new experience for you, and for that reason, I think we owe you a special debt of gratitude for accepting service again.

There is some satisfaction and fulfillment in having moved through the chairs in the Cabinet to the one at the right hand of the President, but—and I say this seeing Mrs. Shultz over your shoulder—there is also some price you pay, some sacrifices you make. I personally want you and Mrs. Shultz to know that we appreciate that fact.

The country needs you and we appreciate your having left what was obviously an interesting career in the private world to come back to the stormy and difficult public world. My thanks extend to Mrs. Shultz because wives pay a heavy price for the public careers of their husbands.

I say it is a stormy public scene. Foreign affairs are frequently stormy, and at the moment it seems to me that foreign affairs are not only stormy but that the surface of the sea is flecked with some very dangerous chunks of ice, ice floes that could founder us in various storms in the Mideast, trade problems with Europe, uncertainties in the Far East, a disruption in hemispheric relations with our Latin and South American friends, ice floes of a sizable character.

But the big iceberg, the real iceberg that threatens the navigation of the ship of State continues to be our relationship with the Soviet Union. Never before in all of history have two nations had a relationship such as the current relationship between the United States and the Soviet Union, because never before have two nations commanded such enormous destructive power. We are in a unique position for which there is no precedent in the whole history of mankind, and the management of that relationship will in a very large measure fall to you.

I am wondering if you could tell us how you assess the danger that, as President Hoover once said, in obedience to the inexorable laws of nature someday a new government will come to power in the Kremlin and will feel unable to communicate with the West, unable to negotiate with the United States.

No. 1, do you think that is a danger? No. 2, how do we cope with it?

STATEMENT OF GEORGE P. SHULTZ, SECRETARY OF STATE-DESIGNATE

Mr. SHULTZ. Clearly, Senator, it is important that we have a capacity to talk and to resolve our differences as best we can. I think communication includes, obviously, a vast array of things beyond just talk, and it seems to me that our relationships with the Soviet Union will go best if it is clear to everyone, ourselves, them, our friends around the world, that the relationship proceed on the basis of, first of all, clarity and realism about what is going on around the world, and the implications of Soviet behavior and our attitude toward them, and second, that we are clear in our minds and in our actions that we will provide ourselves with the strength we need to defend our interests, not to be aggressive, but to be able to deter any aggression that they may have.

As I said in my testimony, I think the turnaround in our attitude toward our own defenses that has been evident for the last 2 years by our Government and as evidenced by the pledges and commitments that Congress has been making in response to the President's leadership is a central element in this whole process.

Third, I think on the basis of realism and on the basis of strength, part of that strength itself is the self-confidence to undertake negotiations when they are called for. I think the negotiations, of course, have to be seen, any individual negotiation, as part of a whole picture. In that regard, I personally welcome very much the initiatives that the President has taken in the strategic theater and conventional areas, proposing reductions. I think that is important in and of itself, and of course it is one of the many points of contact that we have, and that is desirable.

I also think that we should make clear that, depending upon Soviet behavior and the way they conduct themselves, we are ready to have as constructive and mutually beneficial relationships as possible, recognizing that they have a view of how life and economies should be organized that is about as different from our view as you could imagine. We don't think their system or I don't think their system is anything I would want to live under, but nevertheless, given a pattern of behavior—behavior, not words, but behavior—we are certainly ready to work at that.

But again I think we have to come back to a realistic view of what they are doing and a determination on our part to have the strength to deter their aggression. We have no aggressive designs of our own. So I think on that basis we can have discussions, all right, but I guess my main point here is to say that communication takes place in words, meetings and so forth, but in a deeper and more important sense, you communicate by what you do.

Senator MATHIAS. You say that we should speak with clarity, and you have talked about negotiations which should be part of the whole picture. That presupposes that there is a whole picture, that there is a strategy more than a day-to-day tactic, more than just responding to what is in your "In" box every morning.

Do you feel that we have a strategy? Do you feel that, say, the record of the past decade or two indicates that the United States has a strategy which is not only comprehensible to us but comprehensible to the men in the Kremlin?

Mr. SHULTZ. Broadly speaking, yes, I do. We have tried various implementations of it. I think we learned a few years ago that an implementation that involved not building our armaments and having a view of them that was more benign than what I am expressing here didn't work. They continued to build up their military forces, and their pattern of aggression increased based on that, which I think only reconfirms the importance of a kind of strategy that I have tried to suggest in my comments. It is not a strategy of aggression. It is not a strategy of confrontation. It is a strategy of confidence and strength and realism about the nature of their system and what they are trying to do.

Senator MATHIAS. You say that we should negotiate when we need to negotiate, but of course, for a negotiation to be successful, the parties sitting down on either side of the table have to meet with the expectation that there is at least a chance that they are going to succeed, that there is a chance that they are going to agree on something before they get up again.

Now, do you see any danger that the rhetoric between us can become so heated that neither side would feel that it is really worthwhile to negotiate, that there would be a perception that it would be impossible to come to any useful, meaningful, and positive result? If you think that danger exists, how do we avoid it?

Mr. SHULTZ. Well again, I think the principal thing for us to have our eye on is behavior, and I do believe that if we identify a pattern of behavior that we think is reprehensible and wrong, we shouldn't hesitate to say so. That doesn't mean that we have to be flamboyant about it, particularly, but we should be clear about it and definite about it. The use of biological and chemical weapons, for example, is something that we find reprehensible. It is against

agreements. It seems to me that we should, as we have, say so and point it out and not get ourselves into a position of fearing to say what is the reality because it might bother somebody.

Senator MATHIAS. Shifting for just a moment a little to the south of the Soviet Union and to Iran. Iran is in the news this morning, as it has been, unhappily, for the last several years. Our experiences in Iran have not been happy ones in recent years, but whether they have been happy or unhappy doesn't change the fact that Iran is very strategically located in the center of the world island.

We have treated Iran with something less than benign neglect during the last few years. We have tried to ignore its existence. In your judgment, has the time come for the United States and, to be absolutely specific, for this committee working with the Department of State to begin to examine the directions that we ought to take in the future in our relationships with the people of Iran?

Mr. SHULTZ. I agree with the premise of your question that Iran is a very important country in a very important part of the world, and certainly we should continuously be examining what is taking place there, its relationship to us and how it affects our interests and the interests of our friends and allies. So I concur in the observation that we should be watching carefully, and so far as I know, we are. Unfortunately, we have no diplomatic relationship with Iran, so we are somewhat limited in what we can actually do.

Senator MATHIAS. Mr. Chairman, I am notified that my time is up, but I am going to raise with you at some early date this question of the committee examination of the United States relationship with Iran, both what is instructive in the recent past and the direction that we might possibly take in coordination with the Secretary of State.

The CHAIRMAN. I can assure you, Senator Mathias, that I will certainly support whatever request you may make, and I am sure the Secretary will be cooperative in that regard.

Mr. SHULTZ. May I make one further comment on that?

The CHAIRMAN. Please.

Mr. SHULTZ. I think in the current crisis of the Iran-Iraq relationship, we, of course, are limited in what we can do directly, but we need, I think, to work with and give assurance to our friends in that part of the world of our commitment to them and also to be working with our friends such as the Japanese and the Europeans, who have a big stake in what is going on there, so that we have as much information as we can get and ideas that we can get and are coordinating our thoughts as best we can.

Senator MATHIAS. Mr. Chairman, if I may, that is exactly the kind of approach that I was suggesting, that this be a time in which we collect the facts, in which we review where we have been and draw what useful conclusions that we can. Let me assure Mr. Shultz that I was not proposing to take a subcommittee out to meet in Basra next week.

Mr. SHULTZ. Far be it from me to advise the Senate. You advise us.

The CHAIRMAN. Thank you very much.

The committee is very pleased to have with us this morning, Senator Goldwater.

Senator GOLDWATER. I thank you, Mr. Chairman. It is a real pleasure and honor for me to welcome Mr. Shultz aboard, a man I have known for a long time and for whom I have a great admiration.

I have a few questions on Taiwan, and if I don't finish them, I will submit them for your answers.

Mr. Shultz, several news reports claim that a joint communique or joint statement is being negotiated with Communist China that sets a time certain for ending or phasing out United States arms sales to Taiwan. Do you believe we should continue to provide Taiwan with arms of a defensive nature without any time limit as long as conditions indicate Taiwan may have a need for such arms?

Mr. SHULTZ. Yes, sir.

Senator GOLDWATER. You do?

Mr. SHULTZ. Yes, sir.

Senator GOLDWATER. Thank you.

Section 3(a) of the Taiwan Relations Act expressly requires that the United States "will make available to Taiwan such defensive articles and defensive services in such quantity as may be necessary to enable Taiwan to maintain a sufficient self defense capability." Do you believe the executive branch can change or nullify this binding statutory requirement without coming to Congress, by merely announcing a new joint communique or statement with Communist China?

Mr. SHULTZ. No, sir; as Secretary of State I will take an oath of office to uphold the Constitution and obey the laws of the land. This is one of the laws of our land.

Senator GOLDWATER. I thank you.

Section 3(b) of the Taiwan Relations Act specifically provides that, "the President and the Congress" shall determine the nature and quantity of defense articles provided Taiwan, based, "on their judgment" of Taiwan's needs. Do you believe that the act means Congress is to participate jointly with the executive branch in making the initial decisions of what arms and services may be needed by Taiwan, or do you believe the executive branch alone shall make that decision, with Congress having no role in it until the President chooses to notify Congress he has approved any arms sales?

Mr. SHULTZ. Well, sir, it seems to me that in this as in other matters of significance, it well behooves the administration to consult with the Congress and to know the views of the Congress. Obviously, in the division of power set up by our Constitution, it is for the President to make certain decisions and for Congress to review them, and there is a procedure; but I think it works much the best if there is a process of mutual consultation so that when decisions are actually made, views are known, and to the extent possible we have a decision on an important matter that is broadly agreeable.

Senator GOLDWATER. I thank you.

Section 3(b) of the Taiwan Relations Act specifies plainly that arms sales to Taiwan shall be determined "solely" on the basis of the needs of Taiwan and not on the ground of what Red China may demand. Do you fully support this requirement of the law?

Mr. SHULTZ. Yes, sir.

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Senator GOLDWATER. The 1972 Shanghai Communique and the Joint Communique of 1978 each declare that the United States "acknowledges the Chinese position" that Taiwan is "part" of China. We do not recognize the position because acknowledge means only to take note of. We do not declare that it is the United States position, nor do we refer to Taiwan as a province of China.

Would you agree from this that the United States has never formally recognized the People's Republic of China's political sovereignty and jurisdiction over the people and governing authorities on Taiwan?

Mr. SHULTZ. Yes, sir; but if I could just add something there.

Senator GOLDWATER. Yes.

Mr. SHULTZ. The communiques that you refer to acknowledge that the Chinese on mainland China and the Chinese in Taiwan all agree that there is one China, and our position, I believe, or the position that seems sensible to me is that how that is resolved, that difference of opinion, is fundamentally up to the Chinese. However, we undertake, particularly in view of the longstanding, mutually supportive activity with the people on Taiwan, to insure that that is by peaceful means. In view of that commitment on our part, we have undertaken, and the Taiwan Relations Act is very clear and explicit about it that we will be willing to supply defensive arms as they may be needed in our judgment to ensure that that peaceful resolution takes place that way.

Senator GOLDWATER. Well, of course we all hope and pray that if it is to come, that will come in a peaceful way. I cannot conceive, though, of any country recognizing the sovereignty of a portion of land over another portion of land when the mainland, as I refer to it, is Communist dominated, and the Taiwan that we refer to is a free country. That is not compatible, in my estimation, with the American way of thinking, and I am glad that you feel as you do on it. All of us who feel strongly about Taiwan will help you in any way that we can to bring about a peaceful agreement if a peaceful agreement can be reached.

Mr. SHULTZ. Thank you, sir.

I perceive myself having been acquainted with Chinese people in many parts of the world, as one who has a deep respect for them, their ability, the ingenuity, their capacity to think in broad and long terms, and so I am deeply respectful of the capacity of the Chinese people to work out their problems. So I proceed on that basis.

Senator GOLDWATER. I certainly agree with you. I had the privilege of serving with the Chinese in China. I don't think anyone who has ever known—I have more than 2 minutes, I have 3 minutes. [General laughter.]

Mr. SHULTZ. As far as I am concerned, you have all the time you want. Your problem is with the chairman.

Senator GOLDWATER. Well, I am going to obey my boss here.

Everyone who knows the Chinese has great affection for them, whether they be under a Communist government or a free government. My desire is to see them all free, 800 million free people. They would be a real power.

I have one more question here. On June 19 the Chinese Communist Foreign Ministry notified the Palestine Liberation Organiza-

tion that the People's Republic would grant $1 million as an emergency fund to be used in the "just struggle" against Israel. On June 25, Red China's Defense Minister, Geng Bao, stated that "the Chinese people * * * strongly demand that the United States immediately pull out of South Korea all of its troops and equipment." Communist China also opposes our positions in South Africa, Poland, the Falkland Islands, and El Salvador.

In these circumstances, do you agree or disagree with the statement of a State Department official, Mr. Walter Stoessel, who said on June 1, "strategically we have no fundamental conflicts of interest" with the People's Republic of China?

Mr. SHULTZ. They are entitled to their opinion on the list of things that you read and so are we, and we have many differences of opinion, obviously.

Senator GOLDWATER. I agree with you, but I don't——

Mr. SHULTZ. I think probably Mr. Stoessel was referring to the problem with the Soviet Union and the relationship that the Chinese have and that we have in that regard.

Senator GOLDWATER. We had another person in the State Department, Mr. Tom Shoesmith, who repeatedly denied at a congressional hearing on May 3 that Communist China is a dictatorship, so maybe a little education over there wouldn't hurt the troops a bit.

Mr. SHULTZ. May I just say a word, since the name of Walter Stoessel has come up. He is Acting Secretary right now.

Senator GOLDWATER. I know he is, and it bothers me.

Mr. SHULTZ. Well, as a person who is sitting there and watching what is going on and seeing him pitch in, I would just take a moment to express my admiration for him as a longtime civil servant of our Government, and I tip my hat to him.

Senator GOLDWATER. Thank you very much, Mr. Shultz. My 10 minutes are up. I again want to thank the chairman. He has been most generous.

I do have a few more questions that I will submit for the record.

The CHAIRMAN. Why don't you ask one more.

Senator GOLDWATER. One more?

The CHAIRMAN. Sure, on my time.

Senator GOLDWATER. In January 1982, President Reagan announced that Taiwan would be allowed to continue coproduction of the F-5E fighter aircraft. Yet the formal notice of the transaction that must be given to Congress and the actual signing of a letter of agreement have been delayed and withheld.

Would you support prompt action on these steps in order to avoid a break in the production line?

Mr. SHULTZ. Of course, a decision to send something up here will be the President's decision. My advice to him would be to do it, but he will have to decide that.

Senator GOLDWATER. Thank you. There is a telephone right back here if you want to use it.

I thank you again, Mr. Chairman. I will turn these questions over to you.

The CHAIRMAN. These are questions that we will submit for the record, and we ask that they be answered by the Secretary.

Senator Goldwater, I would like to cordially invite you, at any time that we do have consultation with the Secretary--and we

have had commitments from the Department on this matter that we will have consultations—to join the committee at that time.

Senator GOLDWATER. Thank you.

The CHAIRMAN. On the question of removing troops from South Korea, the Carter administration, who fought the resolution I sponsored that no troops could be withdrawn without the advice and consent of Congress, on which you helped me so much—we won, I think, 79 to 7. Cy Vance had the character and the quality to call up after Park was assassinated and say, thank heaven your resolution was approved, because the North Koreans might have moved straight into South Korea at that critical time. Our forces being there prevented a war once again in that area.

Senator GOLDWATER. All I can say, in a light vein, is if you are half as good a Secretary as you are a golf player, we have nothing to worry about. [Laughter.]

The CHAIRMAN. Thank you very much.

Secretary Shultz, with your long background as an economist, do you agree with me that the great strength of this country rests not only on moral principle, but also on the economic strength of the country? That enables us to have a solid defense. That enables us to help the free world defend itself. And we must keep that economy strong.

I want to mention one aspect of that economy which is in a bad way, outside of pork producers. Having just come back from Illinois, farmers continually tell me about the very weakened condition, about the agricultural industry today. They bemoan the fact that $10 billion of American taxpayers money is used to buy up surplus crops that cannot be sold, that hang over the market, thereby depressing prices and hurting the farmer.

I have already advised the President that throughout my tour farmers continued to refer to statements he made about agriculture. In particular, they quoted the October 1980 interview of the President in Farm Journal, which was widely distributed, in which he said:

> I do not believe in singling out farmers to bear the brunt of an embargo. I hope it will never be necessary to impose any embargo on trade other than on items of strategic importance. But if it should become necessary, then all industries would have to expect to share the burden.

He continued:

> Ending the embargo will help to restore confidence in America as a reliable supplier.

That was just a month before his election as President. In April 1981, President Reagan lifted the grain embargo. In March 1982 he issued a grain export policy statement that touched on many of the themes of his Farm Journal interview. Note that these quotes are 3 months after the Polish sanctions were put into place. He said he would "not hesitate to declare an embargo if it were part of a complete boycott." And if we could not have the cooperation of other nations, the President said, "so that we would not end up hurting ourselves, with no harm done to those who we are trying to influence."

Continuing, he said, "In the past eight years our stop-and-go export actions have weakened our reputation as a reliable supplier."

I will not quote from your own eloquent article entitled "Lightswitch Diplomacy," but certainly you and the President see eye to eye on this issue in principle and in fact.

The President ended by saying that—

> The bottom line is that the Soviet embargo was bad for our farmers, bad for the economy, but not that bad for the aggressors we are supposedly going to punish. We are now in a situation where we have not been joined by our allies, and we have not only concern about extending a grain agreement and the farmers are watching hour by hour as to what the decision is, but also now sanctions that are selectively picked.

I will not ask you for your policy now, but I would only ask this. Knowing that you must and will support the President when he ultimately sets the policy—and in this regard he has set the policy—do you feel that you can and will continue to fight within the Cabinet room for what you believe is a right foreign policy linked up with an economic policy that makes sense for this country?

Mr. SHULTZ. Certainly I will fight for my views. And as you suggested, I will also fight for the President's decision when he makes it. Of course, I would not have accepted to stand for a nomination for this job if I did not believe that his judgments and decisions are going to be ones that I am wholeheartedly in favor of.

The CHAIRMAN. I would expect that, and respect your position on that. That is the nature of our Government. It must be done that way. But we would always expect that your eloquence would be used to fight for what you believe is the right thing, until such time as the President does make his decision.

I would like to point out that there was a meeting in the White House among six of the major manufacturers affected by the sanctions. During the course of that meeting the chairman of the board and chief executive officer of General Electric said:

> We are the only ones involved in the pipeline. All of the other manufacturers in this room, all of them from Illinois, they are bearing the brunt of three-fourths of the lost employment because of sanctions, that have nothing to do with the pipeline. Why do we not separate those issues then?

I thought it was a magnanimous and noble statement and position for him to take.

I have a letter from Judge Clark dated July 6 in which he says: "However, we are reviewing this case." That is, the whole sanctions situation, because there is a comment period now provided by law until August 21, and we are making comments.

He said:

> We are reviewing this case and a number of others in light of the comments made at the meeting, especially those of Jack Welch. Although I can obviously make no forecast at this time, it may be that some accommodation can be reached.

Again, as you know, I am working very hard to promote with our allies in Europe the President's policies to not give concessional loans, to not be overly generous in credit that is extended, to look for alternate sources of energy, and certainly to put as much pressure as we can on relieving the condition and the plight of the people in Poland.

But in the light of this circumstance, it does seem that there is a reevaluation being made during this comment period. And again, I would only ask that you follow your conscience in this regard and fight for what you think is right, and then, obviously, keep this committee up to date, under whatever classification is necessary.

Mr. SHULTZ. I certainly intend to do that. As you suggested, I do believe that we must not forget the plight of the Polish people and the treatment that they are getting. We need to keep that in our minds.

I certainly agree with your statement that I should fight for my beliefs, and I am just trying to say that in these matters not everything important is in the economic sphere. There are other things that have to be considered, too.

The CHAIRMAN. That is right. Some of it certainly is the military field, and I have a very high regard for Secretary Weinberger. Yesterday I talked to a mutual friend, David Packard, former Deputy Secretary of Defense. He has very strong views on these particular issues as they relate to defense and the well-being of the United States of America.

I would respectfully suggest that you and Mr. Packard might have a discussion about that also as we formulate policy, which is now being reevaluated.

On the pipeline, I would just like to mention that the best intelligence I can get from private sources is that the pipeline is moving ahead. It is on schedule. It is close to schedule.

As to the status of turbines, the Soviets could divert machines from other products, they could use spare units. Also, the possibility exists, if the Soviets are really pressed, they could use existing gas pipelines, including the so-called Mego-Line, to carry natural gas to West Germany.

As certain as I am sitting here, that pipeline is going to be constructed and built, and it is going to be built either with understanding receptivity by European countries to the President's concern or through confrontation between ourselves and our closest allies.

Nothing would suit the Soviets better than to see a real breach between us and our Western allies on an issue of this kind, which our allies consider to be their sovereign right to decide.

Senator Pell.

Senator PELL. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Pell, to accommodate other Senators, I will yield whatever time I have to other Senators, so that we can stay on schedule and hopefully conclude the hearing today.

Senator PELL. Fine. I will cooperate to the best of my ability.

I would just like to comment on the China question for a moment. I can see it from a different perspective still, and that is, under the theory of self-determination. The 14 million native Taiwanese would much prefer independence from either mainland China or the 2½ million invading Chinese who came over with Chiang Kai-shek. This is a view that I realize is very unpopular with both Chinas, both regimes claiming to be the Government of China, but is really popular with the Taiwanese people who inhabit that island.

I am wondering what your view is with regard to this theory.

Mr. SHULTZ. I do not know what a plebiscite would result in. I do have the observation from my visits to Taiwan that it is a very strong economy compared with others in that region, that the distribution of income is very broad, and that on the whole there has been a lot of progress for everybody on Taiwan.

So if you compare Taiwan with other Asian regions, you would have to say that it is measuring up extremely well, and under those circumstances I would imagine the people there would be inclined to support what is going on.

But I have no basis for an opinion poll or anything like that or any comment on your statement.

Senator PELL. It still is, as you probably know, under martial law. It has been under martial law longer than any other nation. I guess my own view comes from World War II, when there was a group of naval officers being trained for military government on Taiwan. We were taught the doctrine at that time that if there is one group of people that the Taiwanese dislike more than the Japanese, who had occupied them for 90 years, it was the mainland Chinese. So we, the U.S. Government, were going to occupy them until they were able to govern themselves. Then after the Cairo conference that was quickly forgotten and we said Taiwan would be a part of China.

So I have always been a little bit sorry for those 14 million Taiwanese who have a different view.

But getting on to other questions, if I could. They are sort of scattered, but I think they should be cleaned up in the public record in this way. In connection with deep seabed mining, how would you propose creating the conditions for the security of tenure of our companies—such as Kennecott Copper, or whatever company it might be—if we are outside the framework of international law? In other words, other countries will be within the framework of a treaty and we will not. How will that give security to our deep seabed mining people?

Mr. SHULTZ. Well, of course, we have to look to the security of our enterprises. But I would suppose that the conditions that you put forward add to the risk of the enterprise, since it is very risky to begin with and expensive. It seems to me the lack of ability to clarify all of these things will slow down deep seabed mining.

Senator PELL. I think you are right, because I think the companies in fact, while they have done their best to sabotage the treaty, will at the same time find their own interests hurt because they will not have the security that they need.

Mr. SHULTZ. Yes. I would like to say, however, that I am fully supportive of the position that has been taken on that treaty. I think the proposals for deep seabed mining that are contained in that treaty are very bad, are not likely to result in very much action. And we have enough trouble in our economy with regulatory agencies when it is just the United States, but to think that we are going to be able to develop a deep seabed mining industry in a new and creative area under an international regulatory agency I think is stretching anyone's imagination.

Senator PELL. You may be right. But time will tell, and we will see, I, myself, am not so concerned about an international company.

As I said, my questions are very scattered and they are sort of like cleanup questions.

I have always been struck by Talleyrand's observation that when you are negotiating with an adversary, for every hour you spend negotiating you should spend a few minutes in the skin of your adversary. And I have suggested this to Secretary Haig. I am not sure it was followed up.

But would it not be a good idea if in any major negotiations, such as START, we had on our negotiating team a psychiatrist, a man who studied the people with whom we were dealing and could imagine what the responses would be from a psychiatric viewpoint, as well as from a political viewpoint?

Mr. SHULTZ. Without taking a position one way or another on psychiatrists [laughter].

Let me agree with your point that certainly an essential part of skillful negotiating is to do everything you can to understand the other party and how they are thinking about it, and distinguishing the things that are truly important to them and not so important, and so on. I think that is a very significant part of any negotiation, not just the ones you refer to.

As a matter of fact, it has always struck me whenever I have been involved in negotiations personally, as a principal or as a mediator or in any other way, that you quickly realize that most of the negotiations frequently are going on within each party, and that is what is really difficult. And if you can get all that straightened out, then the interface of them is obviously important, but often less difficult than the internal negotiations that are always going on.

Senator PELL. And to better understand the thought processes and the impulses of the people with whom you are dealing.

Mr. SHULTZ. I agree, sir.

Senator PELL. Yesterday I raised, perhaps clumsily, the question of the Genocide Convention and did not make clear what I was driving at. I would like to know two specific points:

One, what is your own personal view on the convention, on the advisability of its ratification?

And second, when can we expect an administration position concerning ratification?

Mr. SHULTZ. Well, in terms of a personal view about the subject generally, certainly it is a subject on which we can only have one view, namely that we support prohibitions and the general thrust of that treaty. What the status of technical details are with it is something that I am looking into, and I have had an answer prepared for the record which will be submitted with a package that Chairman Percy has asked for on that.

The gist of it is that I think we should be able to come back to you on this promptly.

Senator PELL. Thank you very much.

In today's New York Times there is a report that a senior official of the PLO said that the PLO was prepared to recognize Israel on "a reciprocal basis." A related article quoted a State Department official as saying this is something we want to think about carefully.

I wonder if you could share with us the State Department view or give us your reaction to this PLO statement, because to my mind this may be the time for a breakthrough. I do not know.

Mr. SHULTZ. Well, I do not know where this statement came from. And one of the problems is that there are always statements floating around that are, somebody said to somebody, said to somebody, that if only somebody would do something, then there would be a statement of some kind. So it is always a little difficult to pin down.

But as I said yesterday, it seems to me if the PLO leadership would get up and say, we recognize Israel, we recognize U.N. Resolutions 242 and 338 as a basis for resolving some of these issues, and we are laying down our arms and we are not going to continue the terrorist activities, then we would be dealing with a different organization.

And as I also said yesterday, I think we must be seeking in this process representation for the Palestinians. They have to be represented in the discussions. And the PLO is one claimant for that role. There are others. We have to be watching for them.

But I am disinclined to be commenting on things that are essentially rumors that get passed around on what somebody might do under what circumstances. It is very possible for them to stand up and say what they think in public, and that is the kind of action that I would take seriously.

Senator PELL. The newspaper report says specifically the name of the man and that he could state officially the PLO was prepared to recognize Israel on a reciprocal basis. I agree with you, though, he is just one official. There could be others. We have been caught in that trap before.

Mr. SHULTZ. We have the problem, Senator, that we were discussing when you mentioned your friends in the business of psychiatry and we were talking about the problem of the negotiations within groups. Certainly that is one of the things that one has to look at with respect to the PLO. There are many different groups within that umbrella organization.

Senator PELL. I realize that. It makes it very difficult in any potential dealing with them.

I have two more very specific questions. First, in the administration's discussions on the grain agreement with the Soviet Union, was the question of Jewish emigration raised, or are you familiar with that?

Mr. SHULTZ. I am certainly familiar with the subject.

Senator PELL. I know that. But I mean whether it took place or not.

Mr. SHULTZ. Precisely what has taken place in the individual discussions, I am not posted on. So I do not know. But I do know that the President has instructed people who are undertaking discussions with the Soviet Union that the numerous and various human rights issues, of which emigration is one, Jewish emigration, should be always put up there so that the Soviets see that we care about them, and that we link them to a pattern of behavior that we care about.

The CHAIRMAN. Senator Pell, would you yield on that same point?

Senator Specter was here yesterday and requested I submit a question on the same subject which has disturbed all of us. We have all worked hard on individual cases, but the total number is down so dramatically over previous periods that we would really like a very high priority placed on this.

And I thank you for asking the question.

Senator PELL. To finish out that thought, I am delighted that you are going to put this emphasis on human rights, which I think is important. But to answer my question specifically, if you are Secretary of State or when you are Secretary of State, is it your intention to raise the question of Soviet Jewry?

Mr. SHULTZ. Yes.

Senator PELL. Thank you.

Along that same line, we have an honorary American citizen involved, Raoul Wallenberg. There has been, as you know, a great deal of interest throughout the world concerning him. Is it your intention to do the best you can and raise it directly with the Soviets, to try to bring forth some answer from them as to his fate?

Mr. SHULTZ. I certainly shall.

Senator PELL. Thank you very much.

My time has expired.

The CHAIRMAN. Thank you, Senator Pell.

Senator Kassebaum.

Senator KASSEBAUM. Mr. Shultz, for the past decade, the multinational financial institutions have been dealing with what some have called a house of cards in constructing their loan policies to less developed countries. There are some who have even predicted that there is the possibility of worldwide financial crisis and collapse. Just recently, we have seen the case of Poland face financial ruin, being unable to pay the interest on its debt. It is interesting to observe that the loans to Poland total $30 billion, and in 1972 there were only $3 billion to $4 billion.

You are an economist with worldwide renown, and I think personally it is a very important background to bring to the formulation of foreign policy as the Secretary of State. I would like to have you give us some of your thoughts on this situation, and how you see this relating to formulation of policy, and how we should take this potential threat of a financial collapse into account.

Mr. SHULTZ. I do not believe there is a threat of financial collapse, but there are severe and important problems. The debts of some of the Eastern European countries are one element of the problem. There are very heavy debts in Argentina, Mexico, and Brazil, to name three other countries. So, there are problems. The world financial community, private and public, is not to be underestimated in its capacity to cope with problems.

I think one of the problems that is not mentioned very much but which may, over a period of 4 or 5 years, turn out to be the most significant result of the point that you have made is that private lenders seeing that some of the loans they have made are quite questionable will be drawing back. I do not see in the next 5 years the likelihood that private lending will be coming forward in the volumes that we have seen, let's say, in the last 5 to 10 years.

So, the problems of international finance or investment will be getting a closer look, and I think there is a message here about

world economic development that somehow we have to take into our thinking, and just exactly where that leads us, I am not too sure, but one place it leads us is to look to all of the things that are done now that create uncertainty for investment. The more we can do to reduce that uncertainty, the more forthcoming that investment will be, and the more willing private lenders will be to provide funds.

At any rate, I recognize the thrust of your question is more to the problem of countries not being able to pay on their obligations. I recognize that problem, but I do not think there is a danger of collapse. What I am trying to do is call your attention, however, to the fact that private institutions have been very alert to this, and they have been pulling back.

In fact, if you look at the Polish debt, which you cited as having increased very substantially in the last 10 years, I believe what you will see is that while the private sector was very active in that for a while, in the last few years the private sector portion has pretty much stayed the same. It has been rolled over, and the increases have come from Government-supported debt.

Senator KASSEBAUM. Do you see, though, the possibility with the private financial institutions drawing back then a pressure growing for Government loans, and again, the pressure brought to bear on various foreign-policy decisions?

Mr. SHULTZ. I am sure there will be that pressure, and in some cases no doubt we, to the extent we are involved, should accede to it, but basically I think we should be pushing in the other direction, as I suggested in my earlier comment, namely, the direction that says, let's reduce the level of uncertainty so that the incentives for private investment will be there.

It is this general level of uncertainty, I think, that has created the conditions where the hurdles for investment have gotten very high, and thereby discourage investment. So, I do not think just acceding to the idea that if the private sector is not there, that we should come through with public funds. Rather, we should say, why isn't the private money there, and there are reasons. There are things that you can do about it, and we ought to address those things.

Senator KASSEBAUM. Do you have any observations on the role of the International Monetary Fund [IMF] and its present structure and the emphasis being given in the past couple of years to bilateral loans rather than multilateral funding?

Mr. SHULTZ. I think the IMF, the World Bank, and the other development banks, the GATT, the OECD, all of these international financial institutions and economic institutions serve very important functions, and we need to work with them.

It is significant to me that in the Versailles summit discussions and in the communique that I saw that came out of that, the United States was able to find the agreement of its summit partners that in proceeding with global negotiations on economic matters, the vitality and jurisdiction and integrity of these financial institutions should be preserved and the other summit partners agree to that. I think it is a very significant thing.

Senator KASSEBAUM. I would like to leapfrog from that for a minute to the Polish debt. I do not know if this has been asked, but how do you believe we should handle the Polish debt?

Mr. SHULTZ. Well, first, to a very considerable extent the debt is owed to private parties and they are struggling with their portion of it and trying to determine how best to conduct themselves, to preserve the maximum amount of flow of funds back to them. I think we should certainly want to see that process go on in private hands and see what decision they make.

Senator KASSEBAUM. Poland had petitioned, I believe, to be a partner in the IMF prior to this collapse or potential collapse. Do you think it would be beneficial to encourage that participation and the requirements set for meeting more responsible financial accountings that might be requirements or would be requirements of the IMF?

Mr. SHULTZ. Well, in a general way, yes; but under the present circumstances, with martial law, with dissidents imprisoned, with the lack of any discussion with the church or with Solidarity, I would not think it is time for that.

Senator KASSEBAUM. I would like to ask one other followup question. I understand Senator Mathias brought up the question of Iran and Iraq this morning.

Mr. SHULTZ. Yes.

Senator KASSEBAUM. I had asked you yesterday about that. It is of concern to all of us, but one aspect that I would like to pursue to which I don't know the answer is, do you see in this particular situation anything that propels a resolution to the Lebanese crisis? Certainly it seems to me that the Arab nations must be very concerned with the potential for Iran's success in Iraq and the overthrow of the Hussain regime. Where would they then go next? There is that side of it. Do you see any opportunity in this particular situation that has developed there now in what looks like is going to be an expanding war for a resolution in the present Lebanese crisis?

Mr. SHULTZ. I think there are many incentives to try to deal constructively with the crisis in Lebanon, and we do not need an additional one on the Iraq-Iran border, but perhaps that will be of some motivation to people. I do think that the Iran-Iraq conflict underlines the importance to them as well as to us of strong relationships with the other Arab States in that region, and our assurances of support to them, and our work with our friends in other parts of the world who also have great concerns in that area, such as Japan and Western Europe, that actually depend upon energy from that area more than we do.

So, those are all things that I think we should be working at.

Senator KASSEBAUM. It seems to me the fragile relationships there just simply cannot withstand not only the radicalized Palestinians, if indeed they are scattered out, but the fundamentalist Moslems. It is a potential that perhaps presents an opportunity to pressure all parties concerned to come to some terms in Lebanon. Perhaps not.

Mr. SHULTZ. That is an interesting observation.

Senator KASSEBAUM. Is it an opportunity that you can see us using to try to get everybody to sit down at the table with some degree of heightened tension, that is, a pressure to come to terms?

Mr. SHULTZ. Well, certainly it is desirable to resolve the issues as rapidly as we can, and any strong reason that comes to hand we should use in order to bring that about. Underneath it all, however, in terms of resolving, say, the Palestinian issue, there has to be a resolution that stands a test on its own terms as being a reasonable resolution of the issue.

Senator KASSEBAUM. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much.

Senator Sarbanes.

Senator SARBANES. Mr. Chairman, I had my round yesterday, but I think Senator Zorinsky may not have.

The CHAIRMAN. Senator Zorinsky.

Senator ZORINSKY. Thank you, Mr. Chairman.

Mr. Secretary, for the record, I would like to receive your commitment to do all within your power to resolve the MIA/POW situation resulting from our Nation's involvement in the Vietnam war. Can you assure this committee of your continued commitment to seeking a resolution to this painful problem that we have? There will be many opportunities hopefully in the very near future, to do a great deal more than we have done in the past. Would this committee have your commitment to continue to pursue the MIA and POW situation?

Mr. SHULTZ. Yes, sir.

Senator ZORINSKY. Thank you.

George, I would like to say that the Secretary of State has traditionally set the tone for the entire foreign affairs bureaucracy regarding the ability of Congress and the Committee on Foreign Relations in particular, to obtain information and documents from the executive branch. I have just gone through a traumatic experience in my attempt to obtain the Woerner report. I do not know if you are familiar with that document.

Mr. SHULTZ. You mentioned it to me when we talked.

Senator ZORINSKY. I went to a great deal of painful endeavor, including the threat of a subpena, in order to obtain that. The ability of the committee to exercise effective oversight, to contribute to the formulation of policy, and to respond adequately in time of crisis depends upon sufficient and reliable access to information and analyses of the Department of State.

Do you have any reservations about allowing this committee or other committees of Congress direct access to information and analysis developed by your Department, should you be confirmed as Secretary of State?

Mr. SHULTZ. I think it is highly desirable that relevant information be available to the committee. It is part of the process of consultation and the ability of people to form views that are based on facts. There are obviously problems on certain kinds of material, I think, exchanges of information that involve something provided by a foreign government that is typically not shared.

Beyond that, I think that to manage any institution there has to be a capacity to discuss things among a group of people without

feeling that you are constantly in a goldfish bowl. But subject to what I would think of as reasonable constraint, I would be in favor of sharing information and working constructively with the committee. It is my understanding that Secretary Vance, in addressing this issue, developed a set of guidelines designed to maximize the flow and that these have worked reasonably well. It is my intention to continue them.

Senator ZORINSKY. George, you used the term "relevant information." That is the type of term I would use, because I am an elected official, so I need that latitude. What is your defintion of "relevant information," and specifically what kind of information would you think is necessary or appropriate to withhold from this committee or other committees of the Congress?

Mr. SHULTZ. Well, I did mention the category of information provided by another government.

Senator ZORINSKY. Well, what sort of information provided by another government is typically not shared with the committee?

Mr. SHULTZ. Intelligence information. I cannot give you a total rundown on this.

Senator ZORINSKY. Is intelligence information any information that may have a classified label?

Mr. SHULTZ. Information that is provided by another country to us in confidence.

Senator ZORINSKY. What happens, say, in the event of our committee being responsible to vote for a $500 million aid program somewhere based on confidential information as to the need of that nation? Are you saying that we would be denied access to that confidential information which would be important to our ability to reach a judgment?

Mr. SHULTZ. I think we have to have a capacity to say to another government that if they provide us with information in confidence, that we can preserve that confidence. Now, obviously, to take the case that you mentioned, let's say that there is a wish to have a large aid grant in some country to build something or other, and we are trying to persuade the committee and the Congress to go along with that.

To say, we want you to go along with this but we are not going to tell you why, or not give you any information about it, is not a very persuasive position to be in. So, presumably, we will be forthcoming with the reasons why. So, I would not see a problem in that regard, but I do think that we must preserve the capacity to respect the confidence of another country or we will not get information from other countries.

Senator ZORINSKY. I would point out that we do have code word level briefings. We have had briefings that I think have set a constant and continuous precedent of our receiving information from other nations that evidently was given in confidence. Obviously, the information was intended to be kept confidential by classifying it at a code word level.

My concern is, Where is this all-encompassing computer that spits out the word "yes" or "no" as to whether we have access to information? Whose philosophy is going to be used as to whether it is pertinent or relevant or needs to be known? My advice to you, George, would be to recognize the fact that we are always placed in

a position of having to respond to the electorate of this Nation about why we vote certain ways in the Congress. We have to have a logical reason, and that logic is derived from our ability to seek and find out this information.

Mr. SHULTZ. I understand that. I am supportive of that viewpoint.

Senator ZORINSKY. I also would like to ask whether your views are such that you feel the nations of the NATO Alliance and Japan should put a higher percentage of their own gross national products into their own defense. I ask that because we are constantly told we are going to increase our exports in the free world marketplace. I am looking for a free world marketplace, and I am not finding it out there. Because of our capacity with tax dollars to put a defense umbrella over all of these nations, we allow them to transfer more of their budgets into subsidizing their industry and agriculture. This in turn, indirectly uses our money in the free world marketplace against us.

For instance, Japan currently has $36 a pound sirloin steaks in their supermarkets, while they deny us access into that market for American beef. At the same time obviously we do a lot of importing from them. In light of this, do you feel that currently they are spending enough of their own budget for their own defense?

Mr. SHULTZ. I believe the proportion of GNP spending by and large should be higher. Saying that, I do not minimize at all the fact that these levels of expenditure are very high. As a matter of fact, one of the points that is most striking to me is that agreeing with your observation on the desirability of a higher level of spending, and looking at the level of spending that we undertake here, we have to say to ourselves and our allies, why are we spending all of this money?

The answer is because of what the Soviet Union is doing. Then you have to say to yourself, well, in the light of that, what sense does it make to subsidize the Soviet economy?

Senator ZORINSKY. I go one step beyond that to ask ourselves, Why are we spending all of this money that we do not have, so that we are operating in a deficit budget situation? I think it would be preferable to let some of our allies operate with greater budget deficits than to bankrupt the American people and our own economy.

Mr. SHULTZ. Well, I am tempted to make a comment about the deficit and what should be done about it, but I will bite my tongue. That now belongs to somebody else's jurisdiction.

Senator ZORINSKY. I may give you a proxy for my vote.

Mr. SHULTZ. I have enough problems where I am.

Senator ZORINSKY. One final question. You said you were going to represent the President's foreign policy, and he is going to provide the foreign policy for this Nation. Are you going to take any directions, either directly or indirectly, from the National Security Adviser?

Mr. SHULTZ. Well, the President is my boss. He is the person who will give me directions. I expect to have a good cooperative working relationship, and I believe I do right now, with the National Security Adviser.

Senator ZORINSKY. At one time, I had contemplated a bill which would make the National Security Adviser subject to the advice and consent of the Senate. I do not believe we need two Secretaries of State. In the past this Nation has had a problem with too many voices expounding foreign policy. You will be getting your foreign policy directions from the President. Is that correct?

Mr. SHULTZ. Yes, sir. But I expect I will be working closely with the National Security Adviser, the Secretary of Defense, and others in helping the President formulate and execute his policies.

Senator ZORINSKY. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much.

Senator Pressler.

Senator PRESSLER. Thank you, Mr. Chairman.

I do not think this microphone is alive.

The CHAIRMAN. Why do you not switch microphones? Something must be wrong with it. Come over here to Senator Baker's seat.

Mr. SHULTZ. The mikes always work better up near where the chairman is. It is a law. [General laughter.]

The CHAIRMAN. Senator Pressler said he was going to conclude his questions in this round, so I think that is an encouraging sign.

Senator PRESSLER. Yes. I wanted to finish some questions on nuclear weapons regarding four countries.

Yesterday you indicated that the risk of nuclear weapons proliferation is of deep concern to you, and that as Secretary of State you would seek to reduce the chances that peaceful nuclear energy programs would become a platform for bombmaking. We on this committee share this concern.

Mr. SHULTZ. I do not believe that is a direct quote, is it?

Senator PRESSLER. I do not think it is a direct quote, but that is what I understood you to say. Is that right?

Mr. SHULTZ. I think it is a good summary, but I am very sensitive about direct quotes. I do not think I used a word like "bombmaking."

Senator PRESSLER. Well, I did not put it forth as a direct quote, but it is what you said, I thought, or did you say something different?

Mr. SHULTZ. It is your paraphrasing.

Senator PRESSLER. All right. The spread of nuclear weapons is as much a threat to global stability as is the growth of the United States and Soviet nuclear arsenals. Indeed, the possession of a nuclear capability by other nations could well be the catalyst for the superpower confrontation that we must avoid if we are to prevent World War III.

For this reason I wish to continue my questioning from where I left off yesterday.

As regards Argentina, since Argentina's defeat in the Falkland Islands there has been increased press speculation on that nation's interest in acquiring a nuclear explosive capacity. What is your assessment of Argentina's interest in developing nuclear explosives; and two, what exactly do you intend to do to discourage such activities?

Mr. SHULTZ. Certainly any such activities should be discouraged, and we ought to look to any means that we have at our disposal to do so.

Senator PRESSLER. What steps in particular as Secretary of State—well, first of all, what is your assessment of Argentina's interest in developing nuclear explosives?

Mr. SHULTZ. I do not have in my mind a full range of intelligence information on this particular subject, so I would rather not make a statement about assessment, to make an assessment of something like that. I would want to take that subject up and get it organized and spend a considerable amount of time on it before I made an offhand kind of comment.

Senator PRESSLER. Regarding South Africa, do you believe that the United States should provide nuclear assistance to South Africa under the current circumstances?

Mr. SHULTZ. No.

Senator PRESSLER. The administration is contemplating the sale of dual-use materials—that is, materials that can potentially assist a nation that is contemplating a bombmaking program—to South Africa. The materials in question are helium-3 and computers, neither of which are under Nuclear Regulatory Commission export control.

Do you favor restricting the sale of such dual-use materials and technology to South Africa?

Mr. SHULTZ. Yes. That question came up yesterday, and there are aspects to it, and it was submitted to me, and there is a written statement that will be here, I hope, by noon.

Senator PRESSLER. OK. Probably this is true of Pakistan, also. Last year in response to an administration request the Congress approved a multiyear military aid package for Pakistan and exempted Pakistan from the aid cutoff specified because of its enrichments and reprocessing activities. Administration officials argued that a forthcoming attitude on military aid would give the United States flexibility in its efforts to deflect Pakistan from developing nuclear weapons.

Are there indications that Pakistan is being deflected from its nuclear activities?

Mr. SHULTZ. Certainly the U.S. Government has made its position clear, and the importance that we attach to this issue has been made clear. The objective or one of the objectives in our work with Pakistan is to rearrange the situation so that the incentives for developing a nuclear device are reduced.

Senator PRESSLER. What would you do as Secretary after, let us say, 1 year, the Pakistanis have not altered their present course which seems to be the development of such a weapon?

Mr. SHULTZ. Well, we would have to look at all those circumstances and decide in the light of the facts that are there what we should do. I cannot give you a list of 10 things I would do 1 year from now about a hypothetical situation.

Senator PRESSLER. Yes, but what might some of your options be?

Mr. SHULTZ. I do not know. We will see.

Senator PRESSLER. You have no possible concept of what some of the options might be regarding Pakistan if they——

Mr. SHULTZ. Obviously there are lots of things that are possible, but precisely what they would be 1 year from now and in what form and what I would judge to be the most effective I cannot say at this point.

Senator PRESSLER. In 1974 India demonstrated a nuclear capability. Do you feel that the United States should provide the Indian Government with nuclear fuels in addition to what we have? Do you believe that a cutoff of nuclear fuels to India would enhance our nonproliferation policy?

Mr. SHULTZ. Well, I think this is a subject that is likely to be discussed with Mrs. Ghandi when she comes, and I will want to prepare myself carefully for that meeting. I would rather not comment until I have done that.

Senator PRESSLER. There is a belief in—at least I hear it from constituents, and this in no way reflects on you—but a lot of voters when I am out on the hustings express a belief that large corporations and large banks influence our foreign policy to a disproportionate degree—nothing illegal occurring, but I guess that this would be part of the grassroots feelings about the Trilateral Commission and the Council on Foreign Relations and so forth. More basically it is a belief that big international banks and big international companies influence foreign policy, and perhaps this committee, and the State Department, and administrations more than they should.

And you have come from Bechtel, which is a big international company, and I am not saying anything bad about that, and that does not reflect anything bad about you, and I intend to support you. But what do I say to reassure my constituents that our foreign policy is not overly influenced by these large international conglomerates?

Mr. SHULTZ. My observation, first of all, is that companies who are selling abroad or investing abroad or working abroad on the whole do a very good job for the United States, are good ambassadors to the United States. I think international trade in general makes a positive contribution to our life here in the United States. So to me as I see this picture it is a great big fuss, and I think that we should take note of that fact, that we are all as individual consumers getting something out of it. That is the most important thing, and, of course, that is the reason why companies do operate abroad, that they are able to sell their products which creates jobs here, and they are able to make worthwhile investments that pay dividends back here and support our balance of payments and so on. All of these things go into that picture.

Now, insofar as our foreign policy is concerned, it is set by our Government. Our Government consists of the executive branch, it consists of the Congress, you, this committee; and you are open, I am sure, to points of view and arguments and flow of facts that come from a wide variety of sources, including companies who may have information because they are abroad, and it seems to me that is perfectly proper.

I do not personally see any undue influence as far as my own conduct of the office is concerned. Certainly I would intend to listen to people who have experience abroad and things to report and suggestions to make, but to many other sources as well. And

the Government has available to it far greater resources for assessing and obtaining information about what is going on around the world than any private organization has.

Senator PRESSLER. Certainly. And some of these tasks require a big company or conglomerate. As you know, Bechtel is one of the partners contemplating the ETSI pipeline project in my State and I think that has the support of most people in our State. It could not be done if it were not for people willing to put up large amounts of money through a large organization.

But I suppose Bechtel with two top Cabinet officers, may shift more of their business to the international area, and if it does so in a big way, there will be cynics who will feel that it is a result of these high appointments. I know you have stated your position on this many times very clearly; and it would be my view that you very properly have disassociated yourself from Bechtel. As a Senator from a rural State, I sense that there is a strong feeling that these large companies and large banks have too much of an input and influence on this committee and in the Senate and Congress and elsewhere.

It would be my judgment that as Secretary you may find times when that charge is brought up. I guess that I just would conclude with that because I think you have already answered it very well, as well as you can. It certainly cannot be held against you. But there is a great concern among my constituents at least about their inability to affect foreign policy in some instances. My colleague from Nebraska stated some of those frustrations or at least some of the policy results very well in his preceding questions.

I see my time has expired, so I have no further questions.

The CHAIRMAN. Thank you, Senator Pressler, very much.

Senator Tsongas.

Senator Sarbanes has yielded to you and will reserve his time until later.

Senator TSONGAS. Mr. Shultz, if I ever get nominated for a position that requires confirmation, I am going to take your testimony and memorize it.

Mr. SHULTZ. You should be so lucky. [Laughter.]

Senator TSONGAS. You are not supposed to be good at rejoinders, so if you could keep that in mind, I would appreciate it. [Laughter.]

I would like to state for the record that I have a father-in-law and a brother-in-law who used to work for Bechtel. I am not sure that means anything, but just so it is on the record. I think the Bechtel issue is basically a non-issue. I think Bechtel is a remarkable company, and I questioned both of them about the political orientation of Bechtel, and apparently there is not one. And for a major company that is a plus given where they would be inclined to go otherwise. So just put that on the record.

Mr. Shultz, have you read some of the press you have been given the last few days?

Mr. SHULTZ. Not much. I have not had time. I have been here and studying. I have seen a few of the articles.

Senator TSONGAS. Well, you have done remarkably well. I have not seen this kind of press for anyone since the administration took over.

Let me read one which I thought was important in the Times by Mr. Reston. I will read part of it, because I think it goes to the point that you were hinting at yesterday that I think is a significant issue. It is entitled, "The Forgotten Principle." I will just read part of it.

When George Shultz appeared before the Senate Foreign Relations Committee to be confirmed as Secretary of State, one of the principal advisers at his side was Lloyd Cutler, counselor at the White House under President Carter.

Did you read this?

Mr. SHULTZ. I heard about it. I did not have a chance to look at the Times this morning.

Senator TSONGAS. I suspect Mr. Cutler has read it, but I will go on.

In general, Mr. Shultz supported President Reagan's foreign policy during the confirmation hearings, including many of his excesses and stupidities. He could scarcely have been expected to do otherwise.

I paused to allow a comment, but since there is not one, I will continue.

Mr. SHULTZ. Mr. Reston is entitled to his opinion, but that does not mean I share it.

Senator TSONGAS. Nor does it mean that you do not share it.

Mr. SHULTZ. I tried to suggest otherwise yesterday.

Senator TSONGAS [reading]:

The presence of Mr. Cutler tells us something about Mr. Shultz's approach to his job, namely that he recognizes that an effective United States foreign policy cannot be achieved by one party alone or by a faction of any party, only by cooperation among the leaders of both parties. This has been the forgotten principle in the first half of the Reagan Administration.

I will skip the next couple of lines.

Mr. Reagan has tended to be personal and partisan in his foreign policy appointments and judgments, probably not because he intended to be partisan but because he just did not think much about it. His appointment of George Shultz is quite different, and it is too bad he did not think of it before. Mr. Shultz has been around Washington long enough and out of it just long enough to know that foreign policy is too serious to be left to foreign policy professionals who as the years go by know more and more about less and less, or to the partisan politicians who know less and less about more and more.

[Laughter.]

But above all, Mr. Shultz knows that an effective foreign policy requires a consensus between the parties.

And I would ask that the article be inserted in the record.

The CHAIRMAN. It will be incorporated without objection.

[The article referred to follows:]

[From the New York Times, July 14, 1982]

THE FORGOTTEN PRINCIPLE

(By James Reston)

WASHINGTON, D.C.—When George Shultz appeared before the Senate Foreign Relations Committee to be confirmed as Secretary of State, one of the principal advisers at his side was Lloyd Cutler, counselor at the White House under President Carter.

In general, Mr. Shultz supported President Reagan's foreign policy during the confirmation hearings, including many of its excesses and stupidities—he could scarcely have been expected to do otherwise. But the presence of Mr. Cutler tells us

something about Mr. Shultz's approach to his job: namely that he recognizes that an effective United States foreign policy cannot be achieved by one party alone, or by a faction of any party, but only by cooperation among the leaders of both parties.

This has been the forgotten principle in the first half of the Reagan Administration. Unlike Eisenhower, who seldom considered politics in his foreign policy appointments, and even Richard Nixon, who appointed Nelson Rockefeller's buddy Henry Kissinger as chairman of the National Security Council and then as Secretary of State, Mr. Reagan has tended to be personal and partisan in his foreign policy appointments and judgments—probably not because he intended to be partisan, but because he just didn't think much about it.

His appointment of George Shultz is quite different, and it's too bad he didn't think about it before. Mr. Shultz has been around Washington long enough, and out of it just long enough, to know that foreign policy is too serious to be left to the foreign policy professionals, who, as the years go by, know more and more about less and less, or to the partisan politicians, who know less and less about more and more. But above all, Mr. Shultz knows that an effective foreign policy requires a consensus between the parties.

President Reagan didn't take this approach in the first half of his administration. He blamed the Democrats for the plight of the economy and the menace of the nuclear arms race, and all our troubles in the Middle East. And lately the Democrats have been tempted to answer in kind and make things even worse by turning his foreign policy failures to partisan advantage.

This, one gathers, is what Mr. Shultz is trying to avoid, for if the elemental struggles over the control of nuclear weapons, the Middle East, and modern arms for Taiwan become partisan issues, the past will certainly dominate the future and nobody will gain except the Russians.

Senator Daniel Patrick Moynihan of New York recently warned against the dangers of turning the puzzles and tragedies of foreign policy into partisan issues, particularly on the question of controlling nuclear weapons.

"It is absolutely necessary," he said at Binghamton, N.Y., "that this issue be raised above partisan politics. If it ever divides the parties and hence the people, we shall surely fall. . . ."

Mr. Shultz obviously agrees with this. He could not be expected to denounce Mr. Reagan's policies of selling some arms to Taiwan, or oppose the President's sanctions against allies who were selling American technology to complete the Siberian gas pipeline to Europe. But his enthusiasm for using economic sanctions for political objectives seemed to be somewhat limited in his testimony before the Foreign Relations Committee.

In his appearance there, Mr. Shultz tiptoed through the political minefield. Israel was our most reliable ally, he said, but the Arab nations were important to the vital interests of the United States, etc., etc. With the help of Mr. Cutler, he demonstrated that he is a master of the mystifying clarification, and by the weekend no doubt he will be established on the seventh floor of the State Department as the 60th Secretary of State, with a spectacular view of the Potomac and all the monuments from Mr. Lee's house on the Virginia shore to the Capitol on The Hill.

The question, or so it seems here, is whether he will be able to restore, as General Marshall and Secretary Acheson and John Foster Dulles did after the last World War, a fence of nonpartisan foreign policy.

Mr. Shultz has many good comrades for such an objective. The chairmen of the Foreign Relations and International Affairs Committees in the Congress are on his side. The Republican leader in the Senate, Howard Baker of Tennessee, though he opposes President Reagan's notion of sending American marines to Lebanon, is probably the wisest politician in Washington today. And Mr. Shultz has at his disposal, without doubt, the best professional diplomatic service in the world.

But none of this will work unless he avoids a political struggle between the parties. The Democrats are spoiling for a fight against the Administration's economic and foreign policies, but we have over two years to go before the next Presidential election, and a partisan division on foreign policy between now and then could be a disaster. George Shultz is obviously conscious of this danger, and may be the hope of avoiding it.

Senator TSONGAS. I thought that was a very perceptive piece, and I think part of the reason that people like me who disagree with you on many issues are enthusiastic about your appointment is the sense that you are thoughtful and pragmatic, and that you have a sense of how foreign policy must rise above partisan politics. And I

would hope that that column would be something that does reflect your views and that you take that very seriously.

You need not comment if you do not wish to, but I just raise that. [Laughter.]

Would you care to comment on that? [Laughter.]

Mr. SHULTZ. I do feel very strongly that our foreign policy benefits from having a continuity over the sweep of the decades, and that it will only have that kind of continuity if it is broadly based, which means bipartisan. It does not mean that everybody on every side of the aisle has to agree with it, but since we are all basically reasonable people and we like to believe we are, when we are talking about foreign policy we are talking about projecting our country and its interests abroad, that is especially a subject where it is important to work hard to come together. So I do believe that an element of bipartisanship, a strong theme in that regard is important.

On the whole I think we have achieved a lot in that regard in this country. Sometimes we have been more successful at it than others, but there are threads that have woven through for a long period of time; and I think the general support, for instance of our NATO alliance, is an example. And it has been a bipartisanly supported alliance, and it seems to me that we can take some heart from that. No doubt in part because of the NATO alliance we have had a very long period of peace in Europe. So I take the idea of bipartisanship very seriously, and that was one of the reasons why in the rush of things to do the last few days as I have tried to prepare for these hearings I did make a special point of talking at least on the telephone with all my predecessors. I was very pleased that they all volunteered that they would be glad to give me their counsel and hear about what we are thinking about, comment on it, stand ready to initiate their own reactions. If they think of something or hear of something that they feel is important to bring to my attention, they have a way of doing it.

And certainly, as I said yesterday, I have the expectation of being able to work closely with all the members of this committee.

Senator TSONGAS. The reason I raised the point is I think the administration spends too much of its time concerned about what particular Senators think of them, and on particular issues, in essence, trying to placate members of this committee or Members of the Senate, and I would hope that you would not fall into that trap the way it has been done before.

I have a few other issues that I will raise. I will touch on one of them now, and I think the next round should finish me off.

AFGHANISTAN

When you were in my office you said that the Soviets are respected—I am paraphrasing, but you can correct me there—because they are not unwilling to use force; that in the sort of realpolitik the capacity and willingness of a nation to exercise its force gains respect.

Is that a fair restatement of what you said?

Mr. SHULTZ. Well, I would rather express it for myself if I could. I think we have seen that the Soviet Union is militarily powerful

and has exhibited a willingness to use their military power with brutality.

Now, I think that people see that and to a certain extent it frightens them and has certain bullylike quality to it. And I think observing that leads me to the conclusion that is, I think, very widely shared and which I tried to express in my testimony, that we should be realistic about what is going on, we should look to our own strength, and while we do not—we are not aggressive, we are not looking for confrontations, we should be firm, and at the same time having said that, be prepared to have the strength to negotiate from our strength.

Senator TSONGAS. Do you think from a Soviet perspective that their invasion of Afghanistan was a worthwhile policy decision given what they wanted to do at the time? Not from your perspective but a Soviet perspective, given what their needs and objectives were, was that an appropriate or an effective decision on their part? "Appropriate" has a value judgment.

Mr. SHULTZ. They seem to be having a great deal of trouble in controlling Afghanistan, and once again I think we see the sort of essential indomitability of people who do not want to be ruled and brutalized. The Afghan people have been very valiant in that regard, just as I think when we look at Poland we see that the Soviet Union may be able to dominate Poland militarily, they are absolutely unable to dominate the spirit of the Polish people which remains strong.

Senator TSONGAS. There are some of us who feel that we should supply arms to the Afghan rebels to the extent that they desire them. Would you share that view?

Mr. SHULTZ. I think we need to be clear to the Afghan rebels that we support their cause. We have opposed the Soviet move into Afghanistan, and precisely how we manifest that support in a material way is a subject that bears a lot of thought and discussion.

Senator TSONGAS. After all these years do you think enough thought and discussion have gone into it to warrant a conclusion?

Mr. SHULTZ. Yes.

Senator TSONGAS. Any hint at what that conclusion might be?

Mr. SHULTZ. I have some thoughts on it.

Senator TSONGAS. I quit.

Thank you, Mr. Chairman.

Senator BOSCHWITZ [presiding]. Senator Cranston, are you next?

Senator CRANSTON. Yes, I am.

Mr. Shultz, I believe that there is one issue that transcends all others regarding the responsibilities of the Secretary of State. That is the issue of nuclear war. I cannot really believe that anyone as intelligent as you very plainly are can be benignly indifferent to the spread of nuclear weapon capacity around the world. So I do not believe you are. And yet some of the answers you gave to me and to Senator Glenn yesterday troubled me deeply.

I believe that concerted efforts to restrain the spread of nuclear bomb production capability around the world has to be one of the most serious goals of any Secretary of State. There are now six or seven nations that possess nuclear weapons. Unless we develop more effective national and international policies and safeguards,

there will soon be a dozen or more nations with the bomb, and the danger of nuclear war will be greatly increased.

I grant that present nonproliferation policies that we are pursuing are not working very well for several reasons—partly because we and the Soviets are failing to restrain ourselves and our failing to reduce our own stockpiles. We are not reducing our own reliance upon nuclear weapons. We are therefore not setting a very good example for other nations. We are not keeping some commitments we made to other nations when we signed the Non-Proliferation Treaty and therefore, it is difficult for us to lead the world in this most momentous of all issues.

In an address to the Business Council on October 4, 1978—the same year that the Senate passed the Nuclear Non-Proliferation Act by a vote of 88 to 3 and the House passed the legislation unanimously, 411 to 0—you complained about "policy efforts" which you said "were taking us out of the leadership position in the world development of nuclear power."

Could you explain what policy efforts you opposed?

Mr. SHULTZ. It seemed to me, trying to remember back to those days, that we had had a kind of off-again, on-again approach to the Japanese in our attitude toward supplying them with the enriched uranium that we had committed ourselves to supply them, using that as a device to force them into a certain line of behavior as to reprocessing their fuel. I am just trying to remember. I may not have it exactly straight.

It seemed to me that that off-again, on-again approach to the Japanese was almost certainly going to be counterproductive, that in the end what it would do would be to drive them to other sources of enriched uranium, to other sources of information about reprocessing technology which they are perfectly capable of getting—after all, they are a talented group of people—and that in the process we would wind up in a sense losing contact, and that it would be much more preferable to maintain that contact and to wrap it into understandings reached through discussion with them and agreement with them about precisely how this technology would be used and to develop safeguards that would keep it into the category of peaceful uses, uses for the production of power.

So that is an example of the sort of thing that I had on my mind. Let me say that if I left the impression in my conversation with you or Senator Glenn that I have a cavalier attitude toward this subject, I welcome the chance to correct it, and correcting it, I would subscribe to the general statement that you made in your statement of your own views leading up to the question you raised.

Senator CRANSTON. Thank you. I think it is very important that the record be very clear on that point.

Yesterday you indicated to Senator Glenn that you would favor the United States sharing our most sensitive nuclear technology with direct nuclear weapons applicability with such nations as Japan and West Germany.

Mr. SHULTZ. I also——

Senator CRANSTON. Do you question my question?

Mr. SHULTZ. I am sorry. I thought you were finished. Please go ahead.

Senator CRANSTON. Your response to Senator Glenn would seem to have indicated that, and if that is your position, it would seem to be inconsistent, I believe, with U.S. law and nuclear export regulations. Under section 307 of the Nuclear Non-Proliferation Act, section 129(2)(c) of the Atomic Energy Act as amended, it is illegal for the United States to engage in any nuclear trade with a nation which agrees to "the transfer of reprocessing equipment, materials, or technology to another nation."

So U.S. law requires the application of sanctions against other nations that undertake sales and technology sharing, yet you apparently advocate that the United States engage in that sort of sales and technology sharing.

Is that what you advocate, and if that is the case, is that not inconsistent with present American law?

Mr. SHULTZ. I believe the technology being referred to is technology for the reprocessing of spent nuclear fuel so that it can be reused or partly reused to continue the production of electric power. I believe that is the technology we are talking about. At least that is what I had in mind when this question was raised.

The process through which that might happen, if it happens, at least as I would envisage it and understand it, would be a process of negotiation with the Japanese through which there would be a clear understanding of how they were going to use that technology and the question of whether, if at all, they would sell or otherwise make available to anybody else that technology.

Senator CRANSTON. The problem is that reprocessing technology is the technology used to extract plutonium for nuclear weapon production. So if we transfer that capability to another nation, we are taking an action which if taken by another nation would cause us to apply sanctions against them.

Mr. SHULTZ. I don't feel anywhere near fully qualified to get into a technical discussion of how nuclear weapons are produced, but it is my understanding that from the standpoint of getting weapons-grade plutonium, the way to get it is through putting the basic fuel into a nuclear reactor, and you do it very quickly, you don't leave it in there in the way that you do in a nuclear powerplant. By the time you put the fuel into a nuclear powerplant and you have it used, as I think in the discussion with Senator Glenn it was brought out, there seems to be a greater and greater life to a given fuel. In other words, the efficiency, so to speak, has improved more than people thought, but the longer you use it, the less usable it is or suitable it is for weapons-grade plutonium.

To put it another way, if what you are trying to do is produce a weapon, you wouldn't go about it that way, you would go about it in an entirely different way. Now, as I say, I don't pretend to be a real expert on this by any means, and you and Senator Glenn both know a great deal more about this than I do and I would be glad to be instructed by you, but that is my understanding of the situation.

Senator GLENN. Would you yield?

Senator CRANSTON. Sure. I will yield to John Glenn.

Senator GLENN. All I wanted to say was you can do it either way. Ideally you come out with the purest substance for a nuclear weapon core if you do it using reactor fuel with the smaller amount of irradiation that you were talking about. You still can do

the same thing, though, with fuel that has been in the fuel rods in a nuclear electric generating plant that are then taken out and reprocessed. It is just that the spent fuel has a lot more impurities and is a lot more difficult to handle and things like that. So you can do it either way.

Mr. SHULTZ. But from what you say, I think if what a country was intending to do was to produce a nuclear device, so-called, then the method of having a powerplant use up the fuel and reprocess it, that would not be the way they would do it. They would go about it in another way.

Senator GLENN. That is not the ideal way at all.

Senator CRANSTON. Yes, that is not the ideal way.

Do you support or oppose U.S. sales of enrichment and reprocessing plants which can be used for producing nuclear weapons-grade fuel?

Mr. SHULTZ. Well, of course "can be used" is a phrase that is subject to a lot of interpretation, but certainly I believe that it is not in our interest or in the interest of the safety of the world to have a spread of nuclear weapons. I think that is the starting point. It is in our interest to see peaceful nuclear power used, and it is cheap and it is efficient and it is safe.

Now, I think that we don't want to compromise on the problem of proliferation. It is a very serious point.

Senator CRANSTON. Well, the problem plainly does lie in "can be used." Once that capacity exists in the hands of another nation, we cannot be certain that it will not make a decision to use that capacity. So the objective of the laws that Senators Percy and John Glenn and I have played a key part in writing is to try to reduce the spread of that capacity, since we cannot be certain what will happen once it spreads.

This happens to be one of the areas where we and the Soviet Union see pretty much eye to eye. As a matter of fact, it happens to be one of the few places where they have a better record than we do. They are more restrictive than we are in providing nuclear technology to their allies, though I might add not for a particularly good reason: the reason is they do not trust their allies.

The Soviets are rarely careless in their nuclear export policies. For example, had they given a nuclear capacity to Poland, they would probably be even more alarmed than they are over the present developments in Poland. But it is that sort of situation that leads to the need for a sound nonproliferation policy, for a better policy than we presently have. I said at the outset that we do not now have a policy that is working very well.

So I ask you for your opinion on how we deal with this problem? How do we stop other nations from engaging in imprudent nuclear trade, from, in effect, offering the bomb on the market to all takers? Such trade can be very harmful to our national security.

Mr. SHULTZ. I think the way we do it is by being extraordinarily careful about just the technology you are talking about, by carrying into any discussions the point of view that you have espoused, but at the same time I think we are unlikely to really achieve our objectives unless we are able to engage with countries like Japan or Germany, that have great capability, and work out firm agree-

ments with them about how we are all going to behave in this regard.

We don't have a monopoly on knowledge or ability in this field. You mentioned the Soviet Union, and the French are very advanced in all of these matters. They have a breeder reactor that is operative and impressive, and it is only an example of the fact that while we have tremendous technical capabilities and we are advanced in some areas, others are too, and I don't think we can expect that we are going to achieve the objectives that I share with you by any assumption that we are able to control this knowledge, that is, control it in the sense of denying it to other people, because they are smart enough to figure it out for themselves.

I think we will do better by having very strong understandings with key countries such as Japan and Germany about this technology and how it will be used and where it will go.

Senator CRANSTON. I, of course, recognize that the knowledge is out. We have no monopoly. Others have it or will have it.

Mr. SHULTZ. They can get it.

Senator CRANSTON. Can get it. But certainly the best way to curb the spread of sensitive nuclear technology is not for us to try to hold the lead in nuclear sales development. I don't think you are saying that. You are saying we need a common policy worked out with other nations.

Mr. SHULTZ. Exactly.

Senator CRANSTON. I agree with that also. I think we have not yet found a common policy that works. The International Atomic Energy Agency lacks the authority and the ability to inspect in ways that we can rely upon. So presently we are dealing with an anarchistic situation.

As you and Senator Glenn discussed yesterday there is at present no one in the Federal Government with the principal responsibility for overseeing nonproliferation initiatives. Counselor Buckley, who is present today, and Under Secretary Kennedy have other more prominent responsibilities, and James Malone, who doesn't have the confidence of a number of members of this committee, has lameduck status in the Bureau of Oceans and International Environmental and Scientific Affairs.

Will you see to it that the appointment of a full-time professional charged with overseeing nonproliferation efforts will be a high priority in the early days of your tenure? Hopefully, this can be someone with creative intelligence to apply to a problem that we have not yet managed to zero in on adequately?

Mr. SHULTZ. Yes, sir.

Senator CRANSTON. Thank you very much.

The CHAIRMAN [presiding]. Secretary Shultz, I would like to say that Senator Cranston has for as many years as I can remember held bipartisan luncheons on the subject of nuclear proliferation and the nuclear problem. They have been of extraordinary value. I know he would want to have you as a guest sometime at those luncheons. I think they have contributed immensely to our understanding of the nature of the problem, and your statements have been very reassuring to us.

Senator CRANSTON. Thank you.

The CHAIRMAN. Senator Glenn and I had the pleasure of authoring together—I am not sure it was a pleasure, because it was a tough law—the nonproliferation law in the Governmental Affairs Committee, and he has worked hard to try to stop proliferation. So it is a subject of immense interest to this committee, and we think it is the overriding issue facing humanity today.

I understand that most of your remaining questions are in this area. We are nearing the end, I believe, over on this side. Senator Boschwitz, I believe you have about 10 minutes. Then if you run over a few minutes—well, you can finish up today.

It does not appear that we will be able to finish up before lunch. We will take a break at an appropriate point. But it does appear, just in tallying and talking with various members, that we will be able to finish this afternoon, and we will just proceed along that line, then.

Senator Boschwitz.

Senator BOSCHWITZ. Thank you, Mr. Chairman.

Mr. Secretary, as we discussed in my office, and I have been here now about 3½ years and on this committee for about a year and a half, during my 3½ years you will be the fourth Secretary of State. As my friend, Senator Biden, pointed out, he is getting tired going to all these hearings. I am, too, and I think it must be difficult for our friends and allies and foes, and wherever people are in between friend and foe, to have a good sense of continuity of our policy and to figure us out with such changes.

It would be my hope that during the next 6½ years of the President's term, presuming that he will be reelected, as we both presume, that you will be with him and that we will have that continuity once again, that you will be on for the duration.

Mr. SHULTZ. To the extent that I have it in my power, and Lord willing, I am here to serve. I will serve as long as I feel I can be useful.

Senator BOSCHWITZ. I really do think it is an important point. I think I mentioned yesterday that assistant secretaries turn over almost as fast. It must be very difficult for the world to gather which way we are going.

Let me talk for a moment about the Persian Gulf, Mr. Secretary, because that, as you know, is a very essential part of the world. It is the particular area of the subcommittee that I chair. Regarding Saudi Arabia, in 1973 oil accounted for 55 percent of all energy used in the free world, and approximately two-thirds of that oil came from the OPEC nations, so that the OPEC nations provided about 35 percent of the total free world's consumption of energy.

In 1982 oil accounted for about 44 percent of the energy usage in the world, as opposed to 55 percent in 1973. The OPEC share of the oil had gone from 65 percent in 1973 to 41 percent in 1982, so that OPEC accounted really now for only 18 percent of the free world's energy usage, which is a very sharp decline, by half. It was 36 a few years ago.

Saudi Arabia has had an interesting metamorphosis in the whole thing. Saudi Arabia in 1970, I think, had a total gross income of $1 billion or $2 billion from its oil. Last year it had an income of almost $120 billion from that oil.

Do you see in that enormous increase, as we saw it was a factor in the undermining of the Shah, do you see any instability having developed in the Saudi society because of that enormous increase in funds? And then we will go back to the energy question.

Mr. SHULTZ. No, sir. In general I think they have handled it extraordinarily well.

Senator BOSCHWITZ. And you see no instabilities having arisen in a country of 4 or 5 million people with a budget of that scope?

Mr. SHULTZ. My impression is that if there are threats to the stability, they originate outside Saudi Arabia and not inside. That is, the people are concerned about a religious threat. The Saudi Government has been very alert and conscious of the importance of the religion in that country, and of course they regard themselves with Mecca in that country as a fountain of the Moslem religion. So the problems that were felt by some in Iran with the Shah I think are much less so in Saudi Arabia.

Senator BOSCHWITZ. I make those remarks and ask that question because, as I understand it, the budget in Saudi Arabia is approximately $90 billion, and if we were to extrapolate that and compare it to the budget in our country where we have 50 times as many people, the budget in this country would not be $770 billion, as we are proposing, but $4.5 trillion.

Mr. SHULTZ. Don't let the Members of Congress know that. [General laughter.]

Senator BOSCHWITZ. Do you think we could spend the money?

Mr. SHULTZ. Oh, yes.

Senator BOSCHWITZ. So, if we were to spend that kind of money in this country, that would make enormous structural changes in our country, and I understand—well, I am not sure that their religion is more basic to them than it was in Iran. It certainly seems to be very basic to the Iranians.

Do you feel that they have handled this great growth from $1 billion or $2 billion in income in 1970 to $120 billion in 1982 well, and that it has not in any way undermined or weakened some of the fabric of their society?

Mr. SHULTZ. Yes; I think basically it has been handled with thoughtfulness and skill. That isn't to say there hasn't been some money wasted here or there or problems, but by and large I think it is quite an impressive performance.

Senator BOSCHWITZ. Mr. Secretary, I outlined the decline of oil as a source of energy to the world and the decline in OPEC's participation in the declining use of oil. Saudi Arabia in 1969 produced about 15 percent of OPEC's oil. By 1977 that had risen to 30 percent. By 1981 they produced 45 percent of OPEC's oil, and indeed, during some of the periods, almost half. Now they are back down to about 35 percent of the total OPEC production.

Their own production, as reported by the American Petroleum Institute, is 9.8 million barrels a day last year on the average, and is estimated for this year between 6.5 and 7 million barrels a day, and I understand is presently at about 6.2 million. They use about half a million barrels a day and they export, as you well know, the balance.

The net result of all of that is that their income is going down, and in 1982 their income will probably be about $40 billion less

than it was in 1981. I understand that their budget as announced in May—and apparently they have a May fiscal year—is going to be $92 billion. So as they had in 1977 and 1978 prior to the oil price rise of 1979–80, they may have deficits in their country because they are not going to take in $92 billion. By my figures they will have a $20 billion shortfall, $15–20 billion shortfall.

On the other hand, they have a very large accumulated surplus of $120 billion, and one fellow I talked to said that even assuming the prices hold where they are, that with their budgetary growth, by 1987 they may eat through most of that surplus, and it is hard to tell what happens, if Iran and Iraq get wound up and decide to stop fighting and start producing oil again and flooding the market, what that will do. As far as I can gather, there is a 14, 15, perhaps even an 18 million barrel a day surplus in production around the world today.

Having said all that, my question is: What are the consequences of a developing imbalance in the Saudi budget? The questions that arise relate to what kind of adjustments will the Saudis have to make because of that and their capability for doing so.

Mr. SHULTZ. Well, first, I think you have to consider the rate of return from the accumulated assets they have before you consider a rundown in the volume of those assets. You mentioned the figure $120 billion. I don't know what rate of interest you think you could get on that, investing it around, but anything, take a round number, 10 percent—and you probably ought to be able to do better than that—that is a lot of money coming in that you can use before you have to consider drawing down on your capital.

All I am pointing up here is that I think the Saudi Government is quite solvent.

Senator BOSCHWITZ. Oh, yes.

Mr. SHULTZ. And they have the capacity to develop their plans and carry them through. I am not worried on their behalf about their solvency. I do think that you point up a matter of tremendous importance in giving this history of what has happened to the use of oil and the proportionate importance in the total picture of OPEC.

It seems to me what we are seeing is a fairly typical pattern of what happens to an international cartel over a period of time, particularly when the price goes up very rapidly to a very high level, and fundamentally it is a question of the market going to work on the subject and alternatives coming into play, not only alternative sources of oil but ways of producing it and alternative ways of serving the use that the oil made in the first place.

So the proportionate use is declining, and then as that takes place and as OPEC seeks to be the sort of disciplining force in the market, they become less and less of a factor in the market and so their ability to control becomes less and less. So I think these are trends that are predictable. They are in OPEC striving to maintain their control, and I think you cited some figures on the variation in Saudi Arabia's proportion. That rise in their proportion was, I believe, due to a perception on their part that the price was going up too fast and so they flooded the market deliberately in order to discipline the price and keep it from going up further and more rapidly, and I think that it was in their interest to do so.

So I do think the background you presented is of powerful importance as we look ahead, say, over the next 5 to 10 years and consider what may be happening to energy prices.

Senator BOSCHWITZ. Do you perceive that the decline in OPEC therefore will continue?

Mr. SHULTZ. It depends a little on what other people do. I think it would be very constructive, for example, in this country if we would decontrol the price of natural gas, just as I think we benefited tremendously by finally decontrolling the price of oil. And when you do that you put into place new forces that tend to bring the market into better balance and I think will benefit us and get the price of oil and gas into a more market-related basis.

Senator BOSCHWITZ. But do your feeling with respect to OPEC, assuming things as you now see them, that it will become less or more influential? They seem to be unable to discipline themselves.

Mr. SHULTZ. Well, they have done a reasonable job of disciplining themselves. They have brought the volume of their production down, and the capacity overhang right now is very substantial. I do not know what the latest figures are for total OPEC production. I suppose it is on the order of 18 million barrels a day or something like that. I just do not watch that figure very closely.

Senator BOSCHWITZ. It was 31 or 32.

Mr. SHULTZ. It has been up in those regions. I think if you made an estimate of capacity and you included Iran and Iraq in that potential capacity, you would probably be up in the range of 40. So that is a big overhang on the market and a problem to control.

But they have controlled it to this point. I think it is a very important matter to keep track of and it has a lot of big implications.

Senator BOSCHWITZ. I do not mean to suggest that the Saudis are going to go bankrupt, as we were discussing before.

Mr. SHULTZ. Of course, one of the factors that is somewhat unknown is the degree to which the falling use of oil is a result of relatively low economic activity around the world and the extent to which it is a reflection of the price elasticity of that commodity, other things being equal. While we know there is a lot of both, distinguishing among those two factors precisely we are not able to do as well as we would like.

Senator BOSCHWITZ. Mr. Shultz, departing for a moment from that subject to international trade, you over a long period of time have made a series of statements, some of which I heard in this committee, with respect to light switch diplomacy, and that we cannot use trade as a tool designed to alter the domestic policies of other countries. I have a series of quotes on that.

Are you going to be part of the meeting tomorrow concerning the long-term agreement with the Soviets on grain?

Mr. SHULTZ. Not that I know of. I am not going to take part in any meetings unless—I will not say until—unless I am confirmed by the Senate and sworn in. Then I will take part and not until then.

The CHAIRMAN. That is the strongest incentive that we have for getting you confirmed promptly.

Senator BOSCHWITZ. It is.

I know that many Senators have asked you questions in the area of foreign trade. I would hope that those feelings would continue,

because certainly out in Senator Percy's part of the country and mine so much depends upon the whole agricultural sector that delivered a $26 billion trade surplus during the past year, and it will probably do somewhat the same this year, but could do much more if the prices were more attractive. And we are selling more goods but getting less for them.

It would be my hope that we would be able to work out some form of agreement with the Russians. One of my predecessors from Minnesota, Senator Humphrey, used to say that we should sell them anything they cannot shoot back at us, and that since we do not make them loans and since we are not giving it to them, if they use more of their resources on food and consumable items such as that, the less of their resources they can use for other goods.

Do you continue to hold the view with respect to trade as your general approach, without—I understand that circumstances that arise in the field of international affairs might color a specific instance. But do you continue to hold those views with respect to foreign trade?

Mr. SHULTZ. As a general proposition, I do. I have reread that article and I do not retract it. I sometimes regret that I seem to have written so much. It gives everybody lots of ammunition. On the other hand, since I have talked a lot and it has been made available to you, at least you know what you are getting. I basically think what I think.

Senator BOSCHWITZ. One of the sources of funds certainly in American money markets and other money markets has been some of the large surpluses that the Saudis have developed. In the event they begin to have deficits or begin to recall some of their capital, will this have an effect on our money markets, in your judgment, No. 1?

I know that very often there is talk about the Saudis using the financial weapon against the United States. Do you put much credence in their ability to use such a financial weapon or that they would?

Mr. SHULTZ. Well, they have not talked about it. Other people have talked about it, but they have not. Their behavior in financial markets has been responsible and skillful. I think most people who are in the markets would agree with that.

I would go on and say that they have a big stake in those markets, and so the alternative of using their wealth to throw the markets into chaos, which I do not think they could do, but if they tried to do that, they would hurt themselves as well as other people because they have such a big amount of money there.

Senator BOSCHWITZ. I quite agree, Mr. Secretary.

I have one final statement. It is almost not a question, Mr. Chairman, but a statement. I noticed in today's New York Times that the toll of Lebanon dead and injured is still uncertain. In the chaos of war, there are many figures floating around, some that seem low, others that seem very high.

It would be my hope that after your installation as Secretary you will make an effort not only to learn but to make public the actual toll that has taken place in Lebanon, so that we can get a clearer view on that basis of what has happened there.

Mr. SHULTZ. Yes, I certainly will. I have been following that myself. I asked our intelligence people to tell me what they can and what is available without any classification on that.

The thing that strikes me is that all the estimates show that there are substantial civilian casualties, but the variation in estimates from credible sources is tremendous. I suppose the net of all that is that you have to say that you do not know. What you do know is that the losses are very substantial, but you cannot credibly put a number on it right now.

Senator BOSCHWITZ. Thank you very much.

Thank you, Mr. Chairman.

The CHAIRMAN. As I understand it, that does complete all of your questions?

Senator BOSCHWITZ. Yes.

The CHAIRMAN. Senator Dodd.

Senator DODD. Thank you, Mr. Chairman.

Mr. Secretary, as I have been listening to you for the last day and a half now, one of the things that has struck me is, I guess one of the healthiest aspects of our form of government, and that is the sort of revolving door, that power and influence in this city is not eternal. It is not a question of when you lose power, but when you do.

One of the things that I take some solace in is I think you come to this job having held others in other administrations and you are going to be more concerned, I think, about performing the functions of the job which you are about to assume, with the full knowledge that at some point it will end and you will go back to normal living. I sense a certain amount of confidence that you have in yourself, and that makes me feel good, even though we may have some disagreements.

There has been very little discussion of your immediate predecessor here in the last couple of days. I do not know whether he is watching or listening at this very hour, and he may find the source of what I am about to say somewhat surprising, in light of some of the differences we have had over the past year and a half. But I was thinking this morning about the Mark Anthony speech in "Julius Caesar," when Mark Anthony says: "The evil that men do lives after them; the good is oft interred with their bones."

So let it be with Haig, in a way. He has been criticized for a lot of things, and I suspect the failure that caused his resignation had more to do with the fact that it was a marriage not made in heaven more than any single policy decision.

I say that because I happen to feel that Secretary of State Haig did a very good job in a lot of areas: in Africa, in the Far East; I think he was on track in the Middle East. In arms control I think he was moving in the proper direction.

He had good people around him, some excellent people. Maybe that is something I should not say, because that may seal their fate, having come from me. But I happen to feel he had a darn good team with him.

The one area where I have had strong disagreements with him is the area of Latin America. In my conversation with you the other day, you were candid enough to suggest that it was an area in which you did not have a lot of experience, that you knew other

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parts of the world better than you did Latin America, that you had traveled there but you had not really focused your time on that area of the world.

Mr. SHULTZ. I think I was particularly commenting on Central America. I have not had the opportunity to be much involved there. I have traveled and worked extensively in a number of countries in South America.

Senator DODD. The reason I say that is I would like to think that with a new face there is also time for new thinking, possibly, or at least an assessment of old thinking, to determine whether or not the policy direction in which we are headed in that part of the world is a proper one.

You said, in response to a question, I think from Mrs. Kassebaum, that you believed that the fundamental issue in Latin America should be of a political nature and not a military one in terms of solution. I applaud you for that comment. That has been said by others in the past, and I fear far too often it has been disregarded.

Mr. SHULTZ. I wonder if I could put that point again as I understand it.

Senator DODD. I wish you would.

Mr. SHULTZ. Namely, that for economic development and progress and all those things we want to take place, there has to be some stability. Therefore, the countering of the guerrilla and insurgency movements that tend to be very disruptive is an important thing to do, so that a government that is duly constituted can create a stable and lawful situation in which the society has a chance to progress.

Having said that, I think that in the long run you do not really resolve the problems unless you say to yourself: The real issue, now that we have some stability, is to progress economically and work on that. I recognize that I am sort of amplifying what you said, but I do agree with the importance of both dimensions, particularly the economic dimension, once we can get some stability in the situation.

Senator DODD. What I would like to do is ask you a couple of questions about Latin America and then take a short tour with you, if I can, through some of the specific countries and solicit your opinion on what we might do in each one of those cases.

As background, I mentioned that I had my difficulties with your predecessor over the policy in Latin America. I do not think this administration viewed the situation in Latin America much differently than its predecessors over the past 20-odd years, for the simple reason that we have been incapable really of looking at the region without first looking through the prism of Cuba.

Not that Cuban influence is minimal. It is significant. But I think it has sort of paralyzed us in a way, in terms of making the kinds of policy decisions that recognize the realities as they do change. I think that is the problem. I am not sure how we overcome that. But I sense that everyone has a difficulty in dealing with the region in a foreign policy context because of that.

Let me just ask you generally this: the question of where the Central American or Latin American interest ought to fall in terms of the priorities of our foreign policy. Can you give me some sense of that in your own mind? How important is Central and

South America, the Caribbean Basin, to us? You have had some time to dwell on that over the last few days.

Mr. SHULTZ. These countries are our immediate neighbors, and I think, as in any situation, your neighbors are very important to you, and we have to look at it that way. They are our neighbors, and we must pay special attention therefore.

Senator DODD. What do you believe to be the Soviet intentions in Latin America?

Mr. SHULTZ. The Soviet contention? Well, I think the evidence is that the Soviet Union has been a strong supplier of arms that have come to Cuba, and from Cuba they have gone to other countries, right now principally Nicaragua; and that on the whole these arms have been put in the hands of people who have been very disruptive.

I am just describing what has happened.

Senator DODD. I know you are describing what has happened. But I am asking you what you think their short- or long-term intentions are in this hemisphere.

Mr. SHULTZ. Well, the effect of their actions has been to cause turmoil and make for difficulty to attain stability and to develop the conditions under which people can have economic growth and prosperity.

Senator DODD. Do you believe that the Soviet Union, through their surrogates, principally Cuba, are primarily responsible for the turmoil in Central and South America?

Mr. SHULTZ. They have contributed powerfully to it. Certainly, the turmoil also feeds on poverty and on a sense of hopelessnes that may come to people if they do not see any progress. That is why in our discussion a moment ago both you and I put emphasis on the fact that there are two sides to this coin: One side is to attain some element of stability; the other is to make use of such an environment to gain progress.

So stability is a necessary condition. That is the image that I used yesterday. But it is not a sufficient condition. There are other things that have to contribute.

Senator DODD. The reason I raise that is because I have sensed a difficulty—and again, I do not just mention this administration, because I think it has been others as well that have confused cause and effect in Latin America, as to what has caused the problem rather than the effects of the problem, as you have just described them.

I think too many people have assumed that the Soviets or the Cubans have caused the problems in El Salvador, Nicaragua, or Guatemala. They certainly take advantage of the situation. But to suggest that they have caused the turmoil in that sense I think is a serious error and complicates our ability to forge a foreign policy to deal effectively with those problems. That is why I raised that question. I hope you will give it some close scrutiny.

One of the serious issues, strictly in the post-Falkland-Malvinas situation, is the question of arms in Latin America. I suspect that we are going to receive some requests fairly soon, given the territorial claims issue that exists in the Beagle Channel between Chile and Argentina, the Guyana and Venezuela situation, and the

Belize and Guatemala situation, and there are numerous others that will arise.

If it were possible to secure an agreement among other arms suppliers to have an embargo on arms shipments and supplies and sales to the region, would you support such an effort?

Mr. SHULTZ. I think in general certainly yes, it would be good if on a worldwide basis we could see the general level of armaments reduced. I think we have to confront the fact that that comes about most naturally and reliably when people feel that the reason they might need those arms is reduced, which is leading us back to the same point we were discussing earlier.

I do think that we need to take note, in the light of the various disputes you mentioned, of the importance of the principle that the British fought for and which we supported; namely, the principle that you should not take territory by force. And that applies to a lot of the disputes you mentioned, and I think is an important principle that has a broad application.

Senator DODD. I might like at a later date to sort of pursue the notion with you maybe more specifically in Central America, since I see the escalation of arms there exacerbating the problems in the long term. But because time is limited here, I would like to move along with you.

Let me take that little tour with you. Let us begin in the most troublesome area, I suppose, and that would be El Salvador. In the conversation we had you indicated that you had been led to believe in your conversations with administration officials that things were generally improving in El Salvador, leaving me with the implication that on July 28, which is one of the first situations I guess you will have to come to Congress on, the certification of certain goals and conditions which the President must certify in order to continue the supply of military equipment to El Salvador must be met.

Have you been told by the administration that those conditions or those goals have been met and that you would anticipate coming before us some time around July 28 to indicate that the President will certify that those conditions have been met?

Mr. SHULTZ. The question of a specific certification and any attesting to it that I am involved in will result from a process, as far as I am concerned, of examining the evidence and the law that goes with that evidence and coming to a conclusion on the basis of those facts. I am in no position to state right now what conclusion I will come to.

I have studied the situation in El Salvador. I have formed some impressions. But I have deliberately stayed away from matters that are in a sense in the decision loop, because I had not wanted to be in that during the period that I am on trial here as a nominee to be Secretary of State. If I am found innocent and allowed to proceed, then I will get into those things.

Senator DODD. I would like to ask you your impression, but first, yesterday the House of Representatives voted 399 to 1, adopting a resolution which would include, in addition to the other conditions laid out in that legislation which provided for certification, an extension of a requirement that there be a successful investigation and prosecution of those responsible in El Salvador for the deaths of the American churchwomen and AIFLD officials.

Under the original bill there was only a one-time certification of that issue. Senator Glenn has a resolution that we will consider in this committee. I would like to ask you whether or not you would agree, whether or not the administration would agree, whether or not such a condition ought to be included in this certification process as well, in light of the House vote yesterday and the anticipated vote here.

Mr. SHULTZ. Whether as a matter of law that should or should not take place, I will make a commitment to you myself that I will undertake to make a report on that subject.

Senator DODD. In effect, what you are saying is you think it is an important enough issue that, whether or not we would include it in the certification process, you would include it as important enough to consider as part of a request for additional military assistance for El Salvador?

Mr. SHULTZ. Well, I think it is sort of inherently important. It is something that is very troublesome to me and to us and this country, and that is certainly signified by the House vote that you mentioned. At any rate, I feel no problem about committing to you that I will regard that as one of the things I will want to look into, and we will report whatever I can report on the subject.

Senator DODD. My time has expired and I will come back to this. Thank you very much, Mr. Secretary.

The CHAIRMAN. Thank you very much.

Senator Mathias, I believe that you have about 10 minutes left. Why do you not take the remaining time to finish up?

Senator MATHIAS. I hope I have much more than ten minutes. This is only my second round.

The CHAIRMAN. I am sorry. I did not understand that.

Senator MATHIAS. Hours and hours may be necessary. [General laughter.]

The Senator from Rhode Island looks very grim with that prospect. [General laughter.]

Mr. SHULTZ. I will make a deal with you, Senator. I will sit here as long as you will sit here without leaving the room. [General laughter.]

Senator MATHIAS. No, I will be very brief, in fact. I do not have very much more to ask. I think I can do it all in two rounds. You spoke with some enthusiasm in your statement about the Caribbean Basin Initiative. I must say I share the charitable impulse that is the motivation for that, more than a charitable impulse. I think there is some self-interest in it. I am very sympathetic to it, but I do have a problem with the way it is structured, and that problem is, in order to pay for it, we are robbing Peter to pay Paul.

We put it forward at the very same time that we are projecting a reduced U.S. commitment to the Inter-American Development Bank. So it seems to me we are doing something over here with this hand and taking something away with the other hand. I think I understand some of the reasons that that is happening, but I am wondering what your views are on a proper balance between security assistance and economic assistance on the one hand, and between bilateral and multilateral assistance on the other.

Mr. SHULTZ. Well, I think both bilateral and multilateral assistance are important. We need to maintain our position in the var-

ious international financial institutions. I am a believer in that. There is always a question of adjusting your balance as between the two, and it may be that our balance has gotten a little bit skewed, and that we do benefit from some little more pointed use of funds in areas that are of particular importance to us right now. I think the Caribbean is certainly one of them.

Unfortunately, budgeting is tough. I used to joke around about Washington as a city where the answer to "which" was always "both," but I think the problem is that we do have constraints and so we must make choices.

Senator MATHIAS. As we make those choices, my concern is that we see what the consequences are. Now, there is a multiplier effect to the multinational, international institutions. For every dollar the United States puts up, we probably leverage $3 in contributions from other parts of the world. So, for that dollar you get a triple or quadruple effect out of the money that the American taxpayers invest, and I would say invest rather than give, because I think in the long term it comes back to us, but if we do it on a bilateral basis, we do not get that leverage. We do not get that multiplier effect. So, the net result for the area of our interest is a diminished support.

Second, of course, if other nations who have programs of international assistance—France, for example—are not encouraged to go to the multinational institutions, they will go their own route. To lay it on the table, they may give some money to the Sandinistas which they would not do if they were contributing to a more general and comprehensive development program through one of the multinational institutions.

So, I am wondering how you feel about this multiplier effect and whether it does not really serve our broad interests in a peculiar and unique way.

Mr. SHULTZ. Let me be sure that everything I say shows I am on your side of this argument about the multilateral institutions. I think they are important for the reasons that you have suggested. And I think the Inter-American Development Bank [IDB] is a very good outfit that deserves our support. I attended the last annual meeting of the IDB in Cartagena, and I support that bank very strongly.

Senator MATHIAS. Well, I learned long ago in a country courthouse that when a judge says he is on your side, he should quit and not pursue that subject any more. So let us say that we are in agreement on that subject. I want you to know that if you have problems downtown in maintaining that position, you have some friends up here who will push with you, because I think it is an extremely important concept to keep in mind.

Mr. SHULTZ. Yes. Well, I worked on this subject while I was Secretary of the Treasury, and one of the things I learned is, you can use all the friends you can get when you are working on that subject.

Senator MATHIAS. You stick to your guns, and we will be right behind you.

Mr. SHULTZ. All right.

Senator MATHIAS. In the same general area, but on a different facet, what concerns do you have with respect to Third World bor-

rowing from private U.S. financial institutions? How far should American banks go? Is there a danger point, and are we anywhere close to it?

Mr. SHULTZ. I do not think that we are confronting any sort of cataclysmic set of events at all, but there certainly are problems in the amount of credit that has been extended, and in which some of those credits are questionable. I think what we are seeing is a reaction of private lenders to that, and a drawing back. We were discussing a little earlier this morning the implications of that as we look out ahead, say, 5 or 10 years, and particularly relating it to the questions you were raising about the Inter-American Development Bank and other development banks.

I think that the cautions about credit that have come very much to people's minds here lately will have an effect on lending activity, and we are not going to see such a strong thrust of lending activity just for the reason suggested by your question. That is going to pose some issues for us about the pace of economic development.

Senator MATHIAS. Mr. Chairman, I have just really one housekeeping question, and then the Secretary can stand up. You have an opportunity to fill an unusual number of vacancies in the Department of State, in a number of very significant and important posts. I am wondering if you feel confident that those vacancies, which are important to the public interest, can be filled in a short period of time. Do you anticipate difficulties in making those appointments?

Mr. SHULTZ. I have always felt in the Government posts I have had and in other posts, for that matter, that the key to being able to perform effectively is having first-class people in the various jobs around you, and so I am positive that this has to be practically the first priority, to work on the personnel side of things. I feel very fortunate that there are in the Department now in many posts people of extraordinary ability, and so that is fine, but there are, as you point out, openings and some problems, and I need to address myself to those and do it quickly.

There is a great problem in our country right now about Government service, because a lot of steps have been taken to make it unattractive and to make it impossible to appoint somebody and have that person be effectively in office quickly. That is, if the President were to nominate somebody to fill one of these vacancies today, goodness knows how long it will take before all of the FBI checks and the questionnaires have been filled out, and so on and so on. I suppose it will take a couple of months to get somebody in office. So, that is a problem.

I will be working on it from my end to make it go promptly, and I will be coming around to this committee and talking to the chairman and others about getting action on people that may get nominated. I am sure that I will have your full cooperation in that.

The CHAIRMAN. Taking into account that this committee probably does have more nominations than any other committee, we reached a point with the administration where we finally went to the Vice President and just simply said, we have to get more nominations up here. When you send them up, there will be a floodgate opened. We then broke the log jam. We did get a great many nominations sent up, and I must say the staff has done an absolutely

outstanding job in preparing the committee so that we can process them and move them along.

So, we will certainly process as rapidly as we can any new nominations that you send forward.

Mr. SHULTZ. Great.

Senator MATHIAS. I have a particular interest, and I think Senator Dodd shares it, because we are active on the International Economic Policy Subcommittee of this committee, in the vacancy which exists in the position of Under Secretary for Economic Affairs and the impending vacancy that will occur when Mr. Hormats' resignation takes effect, so we do feel a sense of urgency about that.

What you say about the difficulties of public service leads me to my final question, since this is an area in which you can mitigate one of the problems, and that is with the professional Foreign Service. Now, I raise this question not because so many of the Foreign Service are my constituents, although I suspect I represent more of them than any other Member of the Senate, but because I am concerned about the level of morale and the level of professional career expectation that exists in the Foreign Service.

When young men and women who commit their careers to the Foreign Service look at the top posts and see that they are half filled by other than career Foreign Service officers, it has to have a chilling effect on their outlook as public servants. If they figure they have just as good a chance of being an ambassador by going out and working in the private sector as by plugging away through the ranks of the Foreign Service, it does not take them very long to become discouraged.

I know we are realists. I know the Secretary of State does not have the final word in making appointments to embassies around the world. The appointment comes from the President. The President's choice is final, subject to the advice and consent of the Senate. But I would hope that you would give careful attention to those very loyal and very talented men and women who will be working for you in the years ahead, and to consider their aspirations, their hopes, their desire to serve their country in a very special way, and give them some optimism that if they do what seems to be for Americans a very tough thing, learn foreign languages, and master the complex subject of foreign policy, and immerse themselves in the interests of this country as they relate to the interests of other countries, that they have something better than a 50–50 chance of rising to the top of their professions.

Mr. SHULTZ. I would like to make a comment, if I might, on that, agreeing with the emphasis that you place on the importance of the people who are the career people in our Government generally. The first comment I would make is this. In the experiences I have had before in Government, I have always found that the people, the career people in the department—in my own case it was the Department of Labor and then in the Office of Management and Budget and in the Treasury, the career people made tremendous contributions. I felt that their efforts were truly professional and helpful, and I welcomed their support, and I felt I got it.

I also have the observation that the Foreign Service is one of the most selective and competitive of the units around in any organiza-

tion, and it is full of people of very high quality. I might say, Senator Pell has made pretty much the same kind of comments as you have to me when we discussed this.

So the first point I would make is that I recognize the quality that is there in the Department, and I intend to use it, and to seek their help and demand their help and expect their help. I know that they are skilled people, and like any other skilled and professional people, you are happiest and your morale is best when you are working hard and your capabilities are being put to use. That is in general my objective.

The second point I would make is, while I fully recognize that in Government, particularly at a Cabinet post, you tend to be dominated in your thinking by all of the policy issues, the things that we have been talking about here for the entire space of these hearings. One of the results of that is little attention is paid to the management of the enterprise that you are at least temporarily in charge of.

Of course, I am just coming, unconfirmed, from a business career, and in business the thrust is very different, as all of you know who have been in business. I know the chairman knows that the person who can manage something is a hero, and a tremendous emphasis is placed on that.

I want to conduct myself in this office in such a manner that I do pay some attention to the managerial side of the Department, because I think in the long run, recognizing the importance of the career service and the Foreign Service in the long run, taking the 20- or 25-year span, perhaps your contribution, as much as anything, is to the quality of the organization that is kept there, and I want to make a contribution to it.

The third thing I would say has to do with ambassadorial appointments. I believe, looking at the statistics that I have seen, that somewhere around 70 percent of the currently serving Ambassadors are from the Foreign Service. This percentage has fluctuated up and down somewhat, but not wildly. I think we must have the basic criterion for ambassadorial appointments, that we seek the best person available for that post, whether in the Foreign Service or not.

I believe these percentages suggest that in the bulk of the cases it is going to turn out that we are going to look to the Foreign Service to fill those slots. I would say to you, however, that some of the people whom I have observed abroad who are truly outstanding as Ambassadors are not from the Foreign Service. There are truly outstanding ones from the Foreign Service as well, but I went around recently on behalf of the President and dealt with Ambassadors. Two that come to mind immediately are Arthur Burns in Germany and Mike Mansfield in Japan. I cannot imagine any better representatives of our country than those two gentlemen.

So, I agree with you that we certainly want to make it a reality that a person in the Foreign Service can justifiably and realistically aspire and expect that ambassadorial posts are available to him or her, but I do not think we should so structure it that we do not recognize that other people can do well in those posts, too.

Senator MATHIAS. I welcome your general and positive attitude toward the Foreign Service. I am sure that it will be very wel-

comed at the State Department. I think you will get a great response from that. I share your view that embassies should not be staffed 100 percent with Foreign Service officers. In fact, I have never advocated that every U.S. Ambassador should be a professional. I have known over the years people like Averell Harriman and David Bruce, as well as Arthur Burns and Mike Mansfield, and I think that they, coming from other walks of life, bring a perspective and a contribution which is extremely valuable to the Foreign Service.

But having said that, I think we have to look at the fact that 48 percent of appointments to embassies in the last 2 years have been from the Foreign Service, and 52 percent have been from outside. If that ratio continues, we will not hold up to 70 percent overall. That 70 percent includes a good many holdovers. It is just a delicate ratio which is closely related to departmental morale, which I hope you will keep in mind.

Mr. Chairman, in the spirit of Bastille Day, "c'est tout, c'est fini."

The CHAIRMAN. Thank you. As I understand it, that does complete your questing.

Senator Pell?

Senator PELL. Thank you, Mr. Chairman.

The CHAIRMAN. And let me say that we will recess after Senator Pell finishes his comments.

Senator PELL. Thank you, Mr. Chairman.

I am very glad that Senator Mathias raised the question of the proper use of the career Foreign Service. I guess I feel a bit subjective about it, because I believe I am the only member of the Foreign Service to have served in the Senate, there having been a Foreign Service only since 1924. Prior to that, we had separate diplomatic and consular services.

I wanted to read a passage backing up exactly what Senator Mathias said. Under the Foreign Service Act of 1980, an individual appointed or assigned to be chief of mission "should possess clearly demonstrated competence to perform the duties of chief of mission, including," and then giving a list. Then it says, "Given the qualifications specified in paragraph 1, positions as chief of mission should normally be accorded to career members of the Service, although circumstances warrant appointments from time to time of qualified individuals who are not career members of the Service."

Certainly Ambassador Burns and Ambassador Mansfield fulfill those requirements. In this regard, Mr. Chairman, I would like to insert into the record a message from Ambassador Mansfield supporting the nomination of Secretary Shultz.

The CHAIRMAN. I think that message has already been incorporated in the record.

Senator PELL. Did we each get a letter?

The CHAIRMAN. Yes.

Senator PELL. Very well. The request is withdrawn. The chairman already has received a similar letter and has inserted it into the record.

Then, in order to support the idea of career appointments, the law says, "the President shall provide the Committee on Foreign Relations of the Senate with each nomination for appointment as a

chief of mission, a report on the demonstrated competence of that nominee to perform the duties of the position to which he or she is to serve."

Well, this has really become a little bit of a spoof, because these bits of fiction are a little like Alice in Wonderland demonstrations of competence, which really boggle your mind. I will read out of one here. I do not want to embarrass the poor gentleman, but he is coming before us before long.

Mr. X has demonstrated a commitment to public service, having been involved in the X Public Library Foundation, the Boy Scouts of America, the Rotary Club, the United Fund, and his local chamber of commerce. Currently he serves with the National Council, Eisenhower Medical Center and as a trustee of a couple of other institutions.

This is simply not, I think, a proper certificate of competence. If we want to reward people or bring people into Government who have ability and they want some kind of position, why is it, Mr. Secretary, that they aim their eyes at being an ambassador? Shouldn't other Government services have the advantage of political appointees?

I remember Mr. Pendleton James at the White House felt very strongly that people with a generalist approach, with access to the President, should be utilized by the Government, but should the State Department be the only Department to have this mixed blessing? Could you not have men of that sort made admirals or generals or Directors of the FBI or Assistant Directors of the FBI?

I just wonder if it is correct that these generalists, often very well-meaning and nice people, though not particularly competent, they are usually well off, that these people should all be pushed on the State Department. I am wondering what your view is with regard to that, or if you would be willing to share this largesse with other Government departments.

Mr. SHULTZ. I like to keep all the largesse I can get for the State Department, Senator. The Ambassador is the President's representative abroad, and I think it is very important to keep that in mind, and recognize the implications of it. I think that the proportions, as I have said, that more or less have held over the years show that the Foreign Service fills the vast bulk of these ambassadorial appointments, and will continue to do so, and should do so.

I do not think there should be any rule about it other than getting the best person available, and I just go back to my statement that while I have seen a lot of truly outstanding Foreign Service officers as ambassadors, and mostly the people that I have dealt with abroad, when I have had occasion to meet with the ambassador in my own activities, has been somebody from the Foreign Service, and I am a great admirer. It is also true that some of our outstanding people over the years have been non-Foreign Service officers. Senator Mathias mentioned a couple of outstanding individuals, such as David Bruce and Governor Harriman. I mentioned a couple. I think that people like this do us credit.

Senator PELL. I would completely agree with you, but I think there is a sort of no-man's land in between the Dr. Burns and Mike Mansfields of this world and some of the appointees that are coming out from the White House. My hope is that you would do your best as your predecessor did. He relied a great deal on the

career Foreign Service, and I think morale was greatly helped by that. My hope is that you, too, will rely on the career people to the best of your ability.

Mr. SHULTZ. I have tried to say in response to Senator Mathias, my admiration for the quality of people and my intent to work with them.

Senator PELL. Another point along the lines of the political appointees; in this administration apparently one of the qualifications that is considered positive is to have an ethnic background of the country to which you are appointed. I have always believed that should be a drawback. You could be an ambassador anywhere else, but you should not be sent as an ambassador to the country from which you originate.

We have about half a dozen—I will not spell them out; I can do it privately if you wish—who do originate themselves, having been born, having family in, et cetera, countries to which they are accredited. What is your view in this regard? To my mind a man should not be put in the position of having cousins in the country and perhaps speaking with an accent that is local and not general in that country. I would hope that if you do send a political appointee abroad with an ethnic background of a particular country, that he would go to a country not of that background. What would be your thought on that?

Mr. SHULTZ. I think it is a point to keep in mind. I think you make a good argument. It does not seem to me that it should be a flat rule, and I can think of arguments in favor under certain circumstances where a person perhaps has a depth of understanding and familiarity with the subtleties of life in their country, and that that can be an advantage under certain circumstances. So I think there are pluses and minuses.

I agree that there is weight to be given to the consideration that you mentioned.

Senator PELL. I first became conscious of this in the war, when I remember people in military government had a much harder time dealing in either Italy or Germany if they came there having originated in either Italy or Germany than if they were an American who had started out with maybe less good Italian or less good German but was more respected by the people there because he came from outside.

Mr. SHULTZ. Yes. I understand the point.

Senator PELL. Thank you. Now, one other problem in the Foreign Service is this. You may be familiar with what are called "stretch assignments," that is, when a junior Foreign Service officer is given a senior assignment. It is good for the junior officer, but it then means that a lot of competent senior officers are met without senior assignments. I think there are now about 50 of these so-called such assignments where, for example, an FSO–4 would be given an FSO–2 slot. I hope you would look into this, because the result is, you have a lot of very able and very competent senior Foreign Service officers who are both substantially younger than either you or I are, with a lot of energy still left to go, I hope, and with nothing much to do. I would just bring this situation to your attention, because it compounds the problem caused by political appointees as Ambassadors.

Mr. SHULTZ. Thank you. I will look into it. I am not familiar with that problem.

Senator PELL. Good. On that positive note, and having the high regard that I do for you, I know that I look forward to voting for your confirmation. I would like, incidentally, to congratulate the staff, the joint staff, minority and majority, on the excellent job that they did with our book here [indicating], which was a truly fine job indeed. I am prepared to vote whenever the rest of my colleagues are.

The CHAIRMAN. On that positive note, the best estimate the Chair can give our distinguished witness and his family and others interested is that we have about 1 more hour of questioning, and so we will resume at 2 p.m. promptly. We will set the vote for 3 o'clock, and ask all staff members to notify Senators that they should be here at 3 o'clock, provisionally, that is. I would request, please, that everyone remain in their seats at this point so the Secretary and his family and party may leave, and then we will be in recess.

[Whereupon, at 1:20 p.m., the committee recessed, to reconvene at 2 p.m. the same day.]

AFTERNOON SESSION

The CHAIRMAN. Senator Cranston.

Senator CRANSTON. I would like to focus now, if I may, on the issue that Senator Mathias dwelled upon this morning: How to manage United States-Soviet relations and achieve an end to the nuclear arms race.

You are joining the administration in the midst of an extended debate over what kind of agreements we would seek with the Soviets. Defense Department officials and officials of the Arms Control and Disarmament Agency have argued for a U.S. approach which ignores what is negotiable but presses for the greatest U.S. advantage by seeking extreme reductions in the throw-weight of the Soviet missile force.

To my relief and I think to the relief of most members of this committee this approach was rejected by President Reagan when he articulated his START proposals. Instead, the U.S. position on START reflected the views championed by Alexander Haig and by David Jones, an approach which emphasizes balanced reductions in launchers. But now both Secretary Haig and General Jones have left the Government.

Where do you come out in this debate? Do you support negotiability as a key criterion for U.S. arms proposals?

Mr. SHULTZ. As I understand the President's decision it is that there is a total arms reduction proposal that includes an emphasis on throw-weight but divides the proposals into two so-called phases. What happens in the course of the negotiations, of course, we do not know as yet, but the separability of these two phases is something that will unfold as things go along, and we will see as we go along whether or not there is some point in the negotiation at which there is a useful break so to speak in which the agreement up to that point might be brought back to the respective governments, in this case brought here for examination.

Senator CRANSTON. Are you generally in favor of an approach which seeks mutual balance reductions in missile launchers with SALT II-type counting rules?

Mr. SHULTZ. I have said in response to some earlier questions, Senator, that I do not consider myself to be expert in this field, that I recognize its tremendous importance, and I intend to work at it very hard and get a lot more expert than I am. I suspect I have an answer to your question, but I recognize that this is a matter of extreme importance, and not being an expert I am reluctant to engage in too much of an exchange here because I might get myself into a position or make a comment that would not be useful in the negotiations. So I am really not trying to avoid but really to be considerate of these negotiations, and I would just say to you that I recognize how important it is. I share your view on that completely, and I recognize how important it is for me to spend the time and make the effort necessary to come abreast of things and reach the level of expertise that you and other members of the committee have and then weigh in.

Senator CRANSTON. I understand that. I am glad you will be applying your intelligence to this problem because it is an immense one, and I think some new thinking on it is essential.

I would like then to ask some slightly more general questions. Senator Mathias and I went to the Soviet Union together last fall, and we had a remarkable opportunity to meet with Soviet leaders. Among them we met with Marshal Nikolai Ogarkov who is Chairman of the Joint Chiefs of Staff there and therefore their top military man.

I posed a series of questions, a sort of litany on strategic doctrine to Marshal Ogarkov, and I would like to pose the same questions to you as one means of clarifying for our understanding your general views on nuclear war.

First, do you believe that if we and the Soviets had the calamity of a military collision that this collision could be limited to conventional warfare or do you believe that the odds are that it would become a nuclear conflict?

Mr. SHULTZ. Well, I would think there would be great incentives to limit any conflict to the conventional arena. On the other hand, we have left ourselves open to do as we think proper in the event of Soviet aggression and an attack in Europe.

Senator CRANSTON. Marshal Ogarkov's response was that he thought it would almost inevitably become nuclear because whoever was losing any serious engagement with conventional weapons would resort to nuclear weapons in an effort to retrieve the situation. If we got into a nuclear war with the Soviets do you believe it could be limited? Or would the odds be that it would escalate up to an all-out conflict?

Mr. SHULTZ. I would hope that the Russian general's view on the inevitability of movement from conventional to nuclear are wrong, that that is not inevitable. My instinct would be that once you go over the nuclear threshold, however, that you do wind up in an escalation. I recognize that we do have tactical nuclear weapons, and the assumption there is that there is a kind of inherent limitation. And I think that it is desirable to hold to that limitation if we can,

but if you try to assess the probability, I think it would be very difficult.

You have the problem of launching on warning—we see discussion of that—and it is sort of akin to this same subject. So to me the principal emphasis needs to be on doing everything we can to reduce these armaments and to create a situation that makes their use as unlikely as possible because the alternative to that is not really worth talking about.

Senator CRANSTON. Marshal Ogarkov's conclusion was, like yours, that the probabilities were that if we had a nuclear conflict it would be an all-out nuclear conflict. If we landed in an all-out nuclear conflict, do you think either side could "win" that conflict?

Mr. SHULTZ. I cannot conceive of a winner in such a conflict. The destruction is appalling.

Senator CRANSTON. That was Ogarkov's view also. He replied in three words, "No. Mutual suicide."

Do you think either side can attain and maintain superiority over the other?

Mr. SHULTZ. Well, there are categories of weapons systems in which the Soviet Union now has a very distinct advantage. I suppose there are some in which we do. So superiority/inferiority is always difficult to judge.

I think the proposals that the President has made and which I know have had support here in the committee, including from you as you have stated, are for reduction and getting into a more balanced situation.

I think perhaps one of the most startling areas of disadvantage is in theater nuclear weapons, and there, I think, is a very drastic imbalance that needs to be corrected, hopefully through emergence into reality of the so-called zero option.

Senator CRANSTON. His view was that neither side could attain real superiority and that neither side would let the other attain real superiority. Do you think that either side could launch a successful first strike, meaning a first strike so devastating that the other side would not be able to strike back with equally devastating force no matter how widespread the havoc it had sustained in that first strike?

Mr. SHULTZ. That would seem to me to be very unlikely.

Senator CRANSTON. That was his view also.

Your response to me earlier that you were not familiar with all the details of arms control at this stage. That is of course totally understandable and I do not think necessarily all bad. We have left arms control to the experts, and I think they have failed us. It seems to me that we have just become bogged down in details. We must look beyond the mundane mechanics of megatons and throw-weight and surgical strikes and mutually assured destruction, the doctrine known as MAD, or nuclear utilization targeting systems, the acronym for which is NUTS. We have really lost sight of ethical principles and moral values, spiritual and religious values, and I think commonsense and wisdom.

I believe we need a wholly new, broader approach to this problem. We cannot forget the details, of course. But I think we have lost ourselves in them. We need a supreme act of leadership to lift the negotiations to a different level, to sit down with the Soviets

and explore what it takes to really resolve what is a common problem.

We have never, in my view, made that kind of an effort. We have sorted everything out in bureaucratic negotiations first, and the top leaders have gotten together and just to ratify agreements worked out elsewhere without getting to the substance of how do we get beyond these limited general agreements.

You said earlier in the hearings that actions are more important than words. I totally agree. But the sort of new negotiations that I envisage as needed if we are going to break the cycle of tension requires actions following the words. It seems to me that major agreements might well come out of that sort of approach.

I hope that while you are mastering those intricate and arcane details, you will also think about the broader picture of how we get beyond them to a real solution.

Mr. SHULTZ. I appreciate your comments.

Senator CRANSTON. Thank you.

I would like to turn just briefly to one other matter and then I will be done. I attended the meeting at the White House with the President yesterday on Lebanon. It was on the subject of what is happening in Lebanon and what may happen. Since you are going to be approved by this committee this afternoon and by the Senate presumably tomorrow, you will be immersed in responsibilities relating to Lebanon very shortly. I know you are having briefings and are increasingly familiar with the circumstances there.

There is a difference of opinion presently over the War Powers Resolution and how it should be applied if a decision is made to send Marines in. Section 4(a)(1) of the War Powers Resolution states that if troops are introduced "into hostilities or into situations where imminent involvement in hostilities is clearly indicated by the circumstances," then the executive branch certifies to Congress you are going in under that provision. That triggers the need for a 48-hour report on why the troops have been dispatched, and there must be a withdrawal within 60-days unless Congress approves their retention.

The other section under which you could report to Congress is section 4(a)(2), troops are sent to foreign nations "equipped for combat," but there is no reference to any anticipated hostilities and there is no reporting requirement and no deadline as to when you must get the troops out.

Some of the leaders on Capitol Hill think you should report under the first section so that we are able then formally to say "get out" if we feel the Marines should get out. Others feel that you should not send them in under those circumstances if the odds are they will be involved in hostilities. Therefore, if you send them in and you do not anticipate hostilities and then there is no reporting requirement and no deadline for extrication under any formal procedure of Congress, I gather that the White House and the administration feels that they would rather go in under the second than the first because they do not intend to send troops in if there is the imminent prospect of hostilities.

What concerns me about the situation is that I have the impression, and it is only an impression as far as part of this goes, that on the one hand the White House feels that if hostilities did unexpect-

edly break out that it would then be a simple matter simply to withdraw since we do not want our people there if there are to be hostilities. And the Members of Congress who are advocating that you go in under Section 4(a)(1) where you have to report to us and where we can then say get out if we wish to say that within 60 days, they, too, in my opinion are laboring under a misimpression.

It is my considered judgment that if Marines are sent there and if there is more than an incidental assault upon them, then there is something more than that that amounts to the sort of hostilities that would be contemplated under 4(a)(1), and then neither the President nor the Congress would be apt to feel that it would be appropriate to pull out. To pull out under assault from some units of the PLO or units of the Syrian Army would look very weak and I think would be very unlikely.

I think that we must think more carefully about whether if we get in there it is going to be so easy to get out, whether the President would be willing to assume the responsibility for pulling out under those circumstances, and whether the Congress would be actually likely to vote get out while we are under assault.

I have brought this up to express my thoughts to you, since at this moment I can have the undivided attention of a coming Secretary of State. It will not be that easy when this afternoon is over, although I know we will have access to you. But this is a matter that you are going to be confronted with very soon, and I beseech you to think through this particular aspect of that matter.

Mr. SHULTZ. I appreciate your comments very much. They are very thoughtful. And I think any time we are contemplating the use of American forces, even for a role of escorting people under what we believe are agreed and peaceful circumstances, we need to think very carefully about it. And I also agree with your thought that in this, as in many other areas of Government activity, it is always much easier to get into something than it is to get back out again, and we must remember that in all kinds of activity.

Senator CRANSTON. Absolutely. I appreciate your responsiveness, and I appreciate your responsiveness to the many questions that I and others have posed to you. And I hope you understand that when it sometimes seemed a bit abrasive, the purpose was to draw the facts out and to give you the opportunity when colleagues are advocating one course of action or another for you to cite the concerns of Senators on Capitol Hill.

Mr. SHULTZ. I appreciate that. I appreciate the exposure that I have gotten here to the views of members of the committee. One thing I have learned is that there are no reticent members.

Senator CRANSTON. Thank you very much.

Mr. SHULTZ. Thank you, sir.

The CHAIRMAN. Thank you very much, Senator Cranston. That does complete your questions then.

Senator Dodd.

Senator DODD. Thank you.

Mr. Secretary, I had left you at the conclusion of my last round of questioning on El Salvador talking about that little tour.

Mr. SHULTZ. Yes. We had a ticket and then the plane did not fly.

Senator DODD. You stated your position more clearly, I think, with regard to the effort to find political solutions rather than mili-

tary ones in Central and South America, and I wonder if you might share with us what your predictions or feelings might be with regard to a political resolution of the conflict in El Salvador.

I am constantly reminded of the fact that you have already stated that Central America is not an area that you are as familiar with as you are others. Maybe you might share with us what your own views are but also maybe what perceptions you have received already from those who have been briefing you on these situations as to the likelihood of a political resolution.

Mr. SHULTZ. Well, if by a political resolution you mean that the present government somehow makes a bargain with the insurgent or guerilla or whatever label is appropriate for them, I would be loath to be urging that on that government because it seems to me the situation we have is that an election was held, and in spite of an effort by those who opposed the election to discourage people from voting, there was a very large turnout, and people did express themselves then on the nature of a new government.

And it does not seem to me under those circumstances a good idea, a good precedent to say that here is a minority, a small minority—how big I do not know, but certainly a very distinct minority—can, so to speak, shoot their way into the government. I do not think that is a good precedent to establish.

Senator DODD. What is the analysis as to the present situation militarily that you have you been told, or you may have concluded yourself?

Mr. SHULTZ. From what I have heard, the situation militarily is that the present government is gaining better control, although there still is a considerable amount of disruption taking place, but progress is being made.

Senator DODD. Would you exclude as an option to a political settlement a ceasefire and negotiations between the government and the opposition or guerilla forces?

Mr. SHULTZ. I would certainly not urge that on a government.

Senator DODD. I did not say urge. I wonder if you would exclude it.

Mr. SHULTZ. I would be very cautious to say anything that suggested that that would be a good course of action to follow. I just think as a matter of principle to have an election, have a huge turnout, and then have a group that does not agree in a country shoot their way into power is a very bad precedent.

Senator DODD. Well, as important as an election is, it is just as important as to what happens after an election as well.

Mr. SHULTZ. Right.

Senator DODD. And if in fact there is, as I feel there is, a deterioration in support—we have seen anywhere from 8,000 to 12,000 peasants evicted from holdings that they had acquired under the land reform program, not to mention the suspension of the Land to the Tiller program, putting aside phase-2 which I may agree with you was of questionable value in terms of the land reform effort, it would appear that the left, their ranks may be in fact increasing because of policies that have been adopted in the postelection period. So while the election itself may be important, the decisions the government makes vis-a-vis its own people may create circumstances which increase support, as some have concluded, for the

left and thereby necessitating some pressures from the United States if they are going to continue to seek, as they have in the last 2 years, more than half a billion dollars in economic and military assistance.

Mr. SHULTZ. Yes. Well, we sort of shifted from the shoot your way into the government into how is the government conducting itself, and I agree with you that it is vitally important that progress be made.

Insofar as the reforms are concerned, the one that seems to have some controversy in connection with it is the Land to the Tiller program, and it is my understanding that now really for the first time—that is, it did not take place under the Duarte regime—titles are being transferred, and the program does seem to be going forward in a definite way.

Senator DODD. Do you anticipate or have you been told of a request for additional U.S. advisers in El Salvador?

Mr. SHULTZ. I do not know of any request for additional advisers, but I do not rule that out. I just am not aware that there is any request pending.

Senator DODD. Let me, if I can, move to Nicaragua. Mrs. Kassebaum raised this with you yesterday, but I wonder if you might share with us your own views on how we might go about improving that relationship. Let me just tell you I am deeply concerned about the direction the government there is going in. It is deeply disturbing. Indications and signs would seem to show that if they have not arrived already, they are moving in that other direction.

What might we do? What thoughts do you have other than suggesting that if they do, that is it in terms of any likelihood of support from the United States. Is there another, more constructive way we might approach that problem to try to move the Nicaraguans away from the direction they seem to be headed in?

Mr. SHULTZ. As you suggest, there is the question of the removal of what support there is flowing there, and it is not very substantial, and of course there is the effort to see to it that our friends in the area have the capacity to deter aggression stemming from Nicaragua. I think it is vitally important also to assure our friends there that any discussions we might have or efforts to construct a better relationship with Nicaragua will not under any circumstances be at their expense or in any way adverse to their interests, because I think we must maintain our bona fides with our friends.

Within that framework if it is possible to discuss a better relationship and the nature of what it is in Nicaragua that we object to so much and do something about it, I think that is a constructive thing to do.

Senator DODD. As was pointed out by Mrs. Kassebaum, the Mexicans have made recommendations on how an accommodation might be reached at least to create the climate for improving relations. Have you drawn any conclusions about the Mexican proposal?

Mr. SHULTZ. Well, only that as in many cases the good offices of other country often can be very useful and helpful, and I am not going to make a comment explicitly on a particular proposal, but

just to say that other countries obviously are tremendously concerned. Mexico is one. Venezuela is another.

Senator DODD. Correct.

Mr. SHULTZ. And their underlying instincts are constructive, and we want, if we possibly can, to work cooperatively and constructively with them.

Senator DODD. Well, I would just ask you briefly, would you give us your assurance that you will examine those proposals and at some point in the not-too-distant future maybe report to the committee, written or through one of your assistant secretaries, on what your recommendations might be as to how we might proceed with some of those proposals?

Mr. SHULTZ. Yes, indeed. And it is something that I will want to be getting into and working on in any case. So as we go along we will want to consult, as I would expect to do in the normal course of conduct, across the board on this matter. And I know that you are especially interested in it, and I will make a point of seeing to it that you are informed and we have a chance to hear your views.

Senator DODD. Thank you, Mr. Secretary.

We have the President of Honduras in the United States. In fact, we are going to be meeting with him later this afternoon. There have been reports, I guess confirmed reports, that the Honduran military has been assisting the Salvadoran military in their war against the guerillas in El Salvador. Obviously there have been reports, some confirmed, of Nicaraguan support vis-a-vis the Cubans militarily in El Salvador.

The entrance of the Honduran military runs the risk of enlarging a conflict that is already serious and giving it regional, serious regional implications beyond the political implications that are certainly at stake.

Do you have any specific views on whether or not the Honduran forces ought to be directly participating? I gather that rebel guerilla forces in El Salvador have also penetrated the Honduran front here and hit various facilities there, thus creating already, it appears, an expanded war in the region.

What thoughts do you have on that and what recommendations might you make with regard to trying to curtail and isolate the situation?

Mr. SHULTZ. I think what is emerging is the fact that there is a coordinated, to some degree, guerrilla activity, and we have a pretty good idea where that coordination is coming from. And so I think it is natural that you see the development of a coordinated response.

Obviously, it is desirable to contain things, other things being anywhere near equal. But if what you confront is a coordinated effort, it may make sense—I do not say it does, but it may make sense—to have a cooperative response to it.

I do not want to make a judgment about that, in other words.

Senator DODD. To your knowledge, have we requested the Honduran military to become involved in El Salvador?

Mr. SHULTZ. I do not know that we have, but I do not know that we have not. I am just not informed about that particular point.

Senator DODD. May I ask that that be something else you inform the committee of at your earliest convenience.

Mr. SHULTZ. Yes, indeed.

Senator DODD. Guatemala also is a serious situation. We are moving rather rapidly through these areas. There either is—and maybe I should frame it in the form of a question: Do you know whether or not there is a present request from the new Guatemalan Government for military assistance to the United States?

Mr. SHULTZ. Let me get you the answer to that. I am not positive of it.

Senator DODD. There was a recent report that Rios Montt, the new president of that country, has taken the position that Belize is a territory of Guatemala, in effect. Do you know whether or not we have communicated to the Guatemalan Government that that position is unacceptable based on previous decisions made by other administrations?

Mr. SHULTZ. I cannot state as a fact that I know that, but I cannot help but believe that that is the case.

Senator DODD. Would that be your position as well?

Mr. SHULTZ. Yes. I think we have the general proposition that we talked about this morning, about the taking of territory by force and the principle of not going along with that.

Senator DODD. Costa Rica is one of the jewels of democracy.

Mr. SHULTZ. It certainly is.

Senator DODD. Last year I believe we provided a total of some $15 million in additional aid, if I am correct. Costa Rica is in deep economic difficulty. Rather than frame this in the form of a question, I guess I would only ask, Mr. Secretary, that they have special needs and given their precarious economic conditions, one of the priority issues in Central America might be to consider what else can be done to assist the Costa Rican Government in their needs.

I would also make the same point as to the Dominican Republic and the Caribbean. The former British possessions have a special relationship with the European Community with regard to sugar prices. Obviously, Cuba has a special relationship with the Soviet Union with regard to sugar prices. The Dominican Republic has now gone through successive peaceful changes in government. They have no one else to look to but to the United States in terms of support.

And sugar is such an important issue to them. It raises complicated political questions here at home as well. But I would like to urge you to spend some special time and attention in looking at the needs of the Dominican Republic, if you would.

Mr. SHULTZ. I would certainly want to do that. It does happen that I have been to both those countries, and I think the quality of democracy there is notable in each case. They are countries that deserve our concern and help.

Senator DODD. I thank you for that.

I have just a few more questions, but there is a vote on and my time is up at any rate, so I will yield to the Senator from Massachusetts. Thank you, Mr. Secretary.

Mr. SHULTZ. Well, we are down to the point now where there is only one of you and one of me. Usually it is not that way.

Senator TSONGAS. You win. [Laughter.]

You are not only outlasting the Members of the Senate, but you are outlasting the audience.

Let me apologize for not having been here. We had a press conference to reintroduce the ERA. Would you care to comment on that? [Laughter.]

If it is subject to further discussion, you can get back to us. [Laughter.]

Let me, if I might, just raise a few issues quickly and then I will be pleased to vote for your confirmation. The issue of emigration from the Soviet Union by Jews and dissidents, as you know, has become a very painful issue. The rate of emigration in 1979 was 51,000. It is down in the last month to something like 182. It is a virtual shutting off.

Many people have asked the question why, when the grain embargo was lifted, there could not have been linkage between the emigration policy of the Soviets and the right to use and consume our grain. Do you think that linkage in that respect makes any sense?

Mr. SHULTZ. I think that linkage in the broad sense—that there are many aspects and dimensions to the relationship and the potential relationship between ourselves and the Soviet Union. I think that notion of linkage is very important for us. And so we should expect that if it does emerge that the pattern of interaction moves in a positive direction and one would see responses, certainly the question of emigration and treatment of dissidents is a matter of great importance in that spectrum of things.

Senator TSONGAS. What do you think we got in exchange for the President lifting the embargo?

Mr. SHULTZ. My impression is that our analysis suggested that there was not that much impact, and so what we got was sales on a somewhat more normal basis insofar as our farmers are concerned.

Senator TSONGAS. So there was no linkage or quid pro quo involved in that process?

Mr. SHULTZ. There may have been and I am just not aware of it. I was not involved, obviously.

Senator TSONGAS. One of the more obscure issues—and I obviously would not expect you to know this in any detail—but one of the issues that I have spent some time on is the issue of the people of East Timor and the relationship that exists now between them and Jakarta. There is in my mind a great deal of repression going on. I just want to raise that and flag it in your mind. I have no questions, because obviously it is of special interest to me and perhaps at some later date we could go over it.

Mr. SHULTZ. Thank you.

Senator TSONGAS. On the issue of arms control, as you probably know, there was a great internal struggle that took place between, on the one side, Richard Burt, Secretary Haig, and the Joint Chiefs, arguing for the arms control proposal that the President endorsed at Eureka College, and on the other hand a group led by Richard Perle, Secretary Weinberger, Mr. Rostow, and Mr. Rowney, who argued for throw-weight.

Team B lost the struggle for the President's mind, but the major force behind team A has been replaced. Obviously, if I were on team B it would be in my interest now to sabotage the issue in the President's mind. In my view, if you do not in essence take a very strong stand in support of the missile warhead approach, as op-

posed to the throw-weight approach, I think the arms control negotiations are going to run aground.

Are you familiar with that struggle? Do you intend to take a part in it? Do you think the Eureka College speech should stand unmodified?

Mr. SHULTZ. I am generally familiar with the issue, and so far as I know the President's decision, which was to think of these negotiations as taking place in two phases, stands. It is a decision that he has made and there it is. The negotiations are proceeding on that basis.

Senator TSONGAS. There have been attempts in the last couple of weeks to undermine what had been the consensus and the attempt to reintroduce throw-weight as the major component of the U.S. posture. Would you resist that attempt?

Mr. SHULTZ. My impression is—and let me say what I said to Senator Cranston, that I do not regard myself as expert enough to want to get into a detailed debate on this subject until I have gotten myself much more into it. But my impression is that from the outset, in the overall two phases of the negotiation, throw-weight has come down at the end of phase 2 as a key element in the picture, and in phase 1, if the President's proposals were to be accepted as presented, let us say, there would be a considerable impact of that very fact on throw-weight. That is, not directly negotiated, but as a consequence of the other changes that were made.

And so far as I know, that is the way it is set up and that seems like a sensible approach to me. But this is, in effect, one negotiation with two phases, and how, as the negotiation progresses, the distinction between the phases will emerge is something that remains to be seen in the negotiations.

Senator TSONGAS. Let me say that there are many of us who care deeply about this issue, for obvious reasons, and we are going to follow it very closely. If indeed the throw-weight advocates succeed in sabotaging phase 1, we will be heard from. I would hope that you would take the same role as your predecessor did on that particular issue.

In closing, I wanted to raise the issue, but Senator Kassebaum did it before me, on the negotiations in Namibia. You and I discussed that briefly in my office. I think the administration is on the verge of a foreign policy triumph, which would certainly be nice, I think, for everyone. And those of us who have been opposed to the U.S. policy toward South Africa have been very quiet, as you know, for the last year and a half, giving the administration room to maneuver and to try to negotiate out Namibia.

They are really at a critical stage now. I would only call that to your attention. There is a great deal of suspicion about what so-called constructive engagement is all about. But I would hope the administration could conclude the agreement.

I think if you de-link the issue of Cuban troops in Angola from Namibia, that settlement is yours. Having been to Angola, I can tell you that if there is a more quiet situation I think you will see the Cuban troops leave. I think it is worth looking into that issue.

Finally, let me run through a proposed plan in the Middle East and just ask you for your comment, and then I will be through. There are nine parts to it:

One, the disarming of the PLO guerrillas in Lebanon. You would have no problem with that.

Two, safe passage out of Lebanon for the PLO to a country acceptable to them and their hosts.

PLO recognition of Israel's right to exist according to U.N. Resolutions 242 and 338.

Resolution of the Palestinian issue through a determined adherence to the Camp David accords and urgent autonomy discussions.

Inclusion of Jordan and other moderate Arab States in the Camp David peace process.

Linkage between urgent progress on the Camp David autonomy talks and the absence of PLO military and terrorist activity.

Evacuation of Syrian and Israeli troops from Lebanon.

Deployment in Lebanon, and specifically in southern Lebanon, of an international peacekeeping force with sufficient strength and authority to be effective until the Lebanese army is able to replace it.

And finally, provision of American assistance and expertise in significant quantities for the immediate disaster relief and the long-term economic reconstruction of a stable, peaceful, and secure Lebanon.

Do you have any problem with any of those?

Mr. SHULTZ. Just in listening to them, no, I think they are a good statement of objectives. I would say, on the question of the physical restoration of Lebanon, if stable conditions can be brought to place I think there will be a need for a considerable amount of outside funding. But I also believe that there will be a pouring of private investment into that area, given a feeling that the conditions really are stable, because Lebanon has been a very prosperous place and a very inviting place for investment in past years.

Senator TSONGAS. Let me say that I think the major problem you have in the Middle East is the absence of a perception of a policy. There is a sense of "ad hocing" our way through. I think a clear statement of an overall strategy and plan would be very helpful.

Mr. SHULTZ. Could I say that I react well to the points that you raised. I do think a genuine urgency about getting at these matters is called for, as I said yesterday. And while it is good to have some ideas in mind as you go into something like that, it seems to me also that it is a very intricate situation, and just how the most direct parties will want to arrange it is yet to be seen. And we need to be in a position to move with the pace of the negotiations.

Senator TSONGAS. Let me say in conclusion, Mr. Chairman, that, as you know, when Secretary Haig was before the committee, he and I had a round of nasty sessions and I ended up voting against him. I felt strongly about it and would have done the same thing again. I came over time, however, to respect him enormously and felt that within the administration he was really a voice for moderation.

I say this as someone who has no personal stake in making him look good, having, obviously, voted against him. But as time went on, I felt that he was a pragmatist and I salute him for that. It is a little late, perhaps, but nonetheless.

You are far more conservative than I am and I think we have different views. We come out of different experiences, and that per-

haps is the reason for it. But I think you are an extraordinarily thoughtful man and I am looking forward to voting for you and hope that you will have the same impact in terms of pragmatism and thoughtfulness that I think is so urgently needed within an administration that I think has a lot of good managers but needs a clearer course in a more pragmatic sense.

I would be pleased to vote for your nomination. It speaks well for those who vacation in the Berkshires, I might add in conclusion.

Thank you.

Mr. SHULTZ. Thank you, Senator.

The CHAIRMAN. Thank you, Senator Tsongas, for a typically gracious statement.

I know that Secretary Haig has benefited tremendously from the long hours that he had with this committee and with you particularly. He developed a high regard for you, and I think his statement at the end of the hearing is a tribute to the constitutional process of confirmation, which enables us to get to know each other in a way that we could not possibly achieve otherwise.

Thank goodness, it will not take quite as long in this case.

Senator Dodd.

Senator DODD. Thank you, Mr. Chairman.

I have just a few minutes left and then would conclude my questions.

The CHAIRMAN. Senator Dodd, why do you not just go ahead until you finish your questions.

Senator DODD. Thank you, Mr. Chairman.

In Chile, Mr. Secretary, there has been a government of significant controversy, the Pinochet government. There is word that there will be a request for military sales. Would you share with the committee your feelings about such a proposal in light of the Pinochet government's record on human rights and its refusal, really, to be fully cooperative with U.S. governmental agencies in the investigation of the Letelier bombing a couple of years back?

Mr. SHULTZ. I think before any requests for arms are approved we would have to find evidence of improvement in the human rights situation and have some clarification on that case.

Senator DODD. There have been a number of efforts over the past year on the part of the present administration to try to develop a working relationship or a workable relationship with the Government of Cuba and Fidel Castro. Those efforts have not been terribly successful. I gather that the Cubans have not carried through, despite those efforts.

I wonder if you might share with the committee what criteria you would establish as Secretary of State for any normalization of relations with the Republic of Cuba?

Mr. SHULTZ. Well, I think the touchstone should be evidence of a change in behavior and an intent to continue a change away from what I would characterize as aggressive and unsettling activity.

Senator DODD. Would you be a bit more specific?

Mr. SHULTZ. Well, as we discussed here a minute ago, they have troops in Angola, they have troops in Ethiopia. I do not think that the troops in Angola are a contribution to getting the Namibia question straightened around. Maybe there can be a solution to that along the lines that Senator Tsongas suggested.

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But at any rate, there are Cuban forces in Nicaragua and a lot of armaments going into Nicaragua via Cuba. And I think that it is pretty clear that these are being used in other parts of Central America and not to the benefit of stability in that part of the world.

So these are examples of things that it seems to me are behavior by Cuba that we do not appreciate. And if they start to change, then I think we should notice that.

Senator DODD. Thank you.

Let me ask you a sort of broader question again. I started out with some general questions and let me step back with another one. In March of this year there were a number of press reports that surfaced indicating that the administration had undertaken some covert operations designed to destabilize the Government of Nicaragua. In general, I wonder if you might tell the committee what your views are regarding covert operations as a general tool of foreign policy, and then specifically I wonder if you might share with us what you have gleaned as to the accuracy of those earlier reports on efforts to destabilize the Government of Nicaragua.

Mr. SHULTZ. First, I do not have any information to provide the committee on that. I am not posted on anything. I suppose I should add that it is in the nature of covert activities that they are not easy to discuss in a public meeting by definition.

As to the question of covert activities as a general proposition, I think it is a possibility that we should have a set of options and definitely we should have the ability to use covert actions.

Senator DODD. What sort of criteria would you set up or establish before making that decision whether or not to use covert activities, recognizing the serious foreign policy implications? The Arbenz government situation in Guatemala, for instance, has caused us trouble in the region for a number of years.

Mr. SHULTZ. I am now thinking off the top of my head, and no doubt people have thought about this question a lot. It is not a subject that a person in private business gives a lot of attention to, so I have not thought about it.

But I suppose one would, first of all, think that it is justified in terms of its objectives and that it can be carried forward in a proper way in the framework of what covert action encompasses, that it has some chance of meeting the objectives that are being sought, that we are not going to endanger unduly our own people or people in another country who we collaborate with, things of that kind.

Senator DODD. Does that not run contrary to your earlier stated position about maintaining relations with governments with respect between nations, in effect, regardless of whether or not we agree with them? If it becomes common knowledge—and I should tell you, from my own point of view, I do not have a blanket opposition to covert activities—but we run the risk of contradicting ourselves in terms of our absence of support for what we may perceive as legitimate nationalistic movements facing repressive governments, if, in fact, we also endorse covert activities as a way of destabilizing existing governments?

Mr. SHULTZ. If the point is that covert activity or action is something that should be undertaken in relatively rare circumstances, I would agree with that.

Senator DODD. Not necessarily——

Mr. SHULTZ. Not a sort of profligate use, as not the first thing you think of when you have a problem.

Senator DODD. I might ask you at some later point to maybe give that one some more thought and share with the committee in some detail how we might set up some standards. I think some already do exist with our Intelligence Committees, but I think it would be helpful for the Foreign Relations Committee.

Senator Tsongas and I introduced legislation earlier this year when those reports surfaced dealing with covert activities in Central America. It might be helpful to both of us if we could have some additional thoughts and comments on what standards we ought to apply in using covert activities.

I have just two other points, Mr. Secretary. There has been a recent report in one of the national magazines that there has existed since 1973 an "understanding," not in writing, between the superpowers not to place ground troops or forces on the ground in the Middle East. Are you aware of any such understanding?

Mr. SHULTZ. I am not aware of it, but that does not mean it does not exist.

Senator DODD. If on examination of whether or not it does exist, you conclude that it does, would you also conclude that this is something that the Congress ought to be aware of, whether or not such an understanding does exist?

Mr. SHULTZ. I believe I am correct in saying that there are American troops in the Sinai force, or American participation. Is that not right?

Senator DODD. Yes.

Mr. SHULTZ. So there is an example. And of course you are aware of it.

Senator DODD. I will make the same request.

Mr. SHULTZ. OK, I have it.

Senator DODD. The last point, and it should not necessarily come last, for no other reason but based on my own ethnicity, Ireland is a nation in great turmoil, because of the tragedy of Northern Ireland. The previous administration and the present one have indicated a willingness to be helpful in trying to resolve that terrible civil war in the north. I am wondering, first, if you might offer some suggestions on how we might as a Government, both the administration and the legislative branch, be constructive in trying to contribute to a peaceful resolution of that strife, and second, whether or not we should make at least the offer of some economic assistance if the issue is settled, as the previous administration had done.

Mr. SHULTZ. That was certainly a very distressing situation. If there is something constructive that we can do, we certainly ought to do it. I think it is a question whether there is anything we can add to that situation, but basically, I should turn you over to my wife, who describes herself as 100-percent Irish, and I do hear about this, and I have been in Ireland, and one of the things that interested me, and going back to my Bechtel days, is, there is a

large alumina plant in Ireland, near Shannon Airport, on Auganish Island, being built basically under Bechtel management. I visited the job, and during the time of the hunger strikes in Northern Ireland, and it was striking to me to see how aware and involved people in southern Ireland were.

There were instances when the flag would go up and the job would go down, and everybody left. They would go to Mass. We did manage to arrange for a Mass to be held on the job, and things of that kind, but it is obviously a situation that is of great concern throughout Ireland, not just Northern Ireland. I could see that just from my own observation on the spot.

Senator DODD. Well, for your information, Mr. Secretary, a group of us in the House and in the Senate formed an organization called the Friends of Ireland, which has been specifically organized to try to offer some constructive suggestions and an approach to the situation. It is one that has attracted, unfortunately, some very extreme elements, not the Friends of Ireland, but other organizations, and Speaker O'Neill, Senator Kennedy, Senator Moynihan, and Governor Carey originally started the new approach to trying to give an American perspective to the issue, and we have since broadened it into a very bicameral, nonpartisan kind of effort. I certainly appreciate the support that we could have from the administration in that effort to offer some constructive suggestions in that arena.

Mr. SHULTZ. It is hard for anyone not to want to be involved in something called Friends of Ireland, particularly in my household.

Senator DODD. Well, maybe we can solicit your wife anyway as a good, active member.

Mr. Secretary, let me just say to you that I have been most impressed over the last 2 days. I cannot say that I agree with every position you have taken, but you have been candid where candor was needed, and you have been evasive when evasiveness was probably the best response. I look forward as one member of this committee to working with you. I am impressed by your openness and, I think, your willingness to consider other options, other opportunities, and I look forward to that relationship. I wish you well. You have my vote. I appreciate your patience with the committee.

Mr. SHULTZ. Thank you, Senator.

Senator DODD. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Dodd.

Senator Pressler has one brief question.

Senator PRESSLER. I have one final question. I feel that you have done a very good job here. I was trying to get an answer earlier on Pakistan, on its nuclear power program, concerning whether they would explode a nuclear device. I worded my question to ask what we would do if this were to occur a year from now, and you said you would have to weigh the options. I want to get a feel for this from you, so I will rephrase the question.

You will be approved in the Senate tomorrow, and sworn in tomorrow afternoon. Let us say tomorrow night Pakistan explodes a nuclear device with the material we have provided. What would your recommendation be to the President Friday morning?

Mr. SHULTZ. I cannot say offhand, but I can say that I would be recommending some very serious changes in our approach to Paki-

stan as compared with what we have today, but precisely what I would recommend, I do not have right on the top of my head.

Senator PRESSLER. Thank you.

The CHAIRMAN. Thank you very much.

Senator Hayakawa has a brief comment.

Senator HAYAKAWA. I have a final statement to make, Mr. Chairman, before voting. Some 30 hours ago I came before you to say that George Shultz fully justifies the confidence the President has placed in him by appointing him as Secretary of State. Since then, he has responded to our questions, not only thoughtfully but from the backgound of an enormous storehouse of knowledge and experience, but also with humor and patience and good nature. He has won the admiration of us all. Indeed, in George Shultz we have not only a scholar and a man of character, but we have what promises to be an outstanding diplomat.

I am honored, then, to vote in favor of his nomination. Thank you, Mr. Chairman.

Mr. SHULTZ. Thank you, Senator.

The CHAIRMAN. I would like to make some brief comments, and then I think we will be prepared for a vote. I would like each member of the committee to think about the possibility of taking the vote up this afternoon. The Senate will be going into executive session on another nomination. Instead of holding over for 24 hours, on unanimous consent we could take it up this afternoon. I think there is a sense of urgency about having a Secretary of State in place at the earliest possible time. The committee seems to be of one mind, and I think the Senate will accept the strong recommendation of this committee. So we will ask if that would be agreeable to the members of the committee, that we do take it up this afternoon and try to have that vote with whatever reasonable time limitations committee members and certainly any other Members of the Senate would have ample opportunity to make statements on the nomination. The leadership is prepared to do this.

Senator Pell.

Senator PELL. Mr. Chairman, I think that is most acceptable to us, and we would accept a relatively short time agreement. I also think as long as we have a quorum here there is another matter that is without, I think, a dispute—it passed the House yesterday by a 399 to 1 vote—that the Senator from Connecticut would like to raise.

The CHAIRMAN. Yes; I would like to defer that for just a moment, until we finish comments on the George Shultz nomination.

Mr. Secretary, I would like to put a couple of questions to you that have been of some concern to the members of the committee. Members of Congress in fact have frequently complained that they are too rarely consulted, as distinguished from being informed, at the takeoff of major policy changes or initiatives that have been made by the administration, and yet an administration always looks to the Congress to keep the policy afloat with authorization, money, support, and we share responsibility for crash landings many times.

I can well recall when Senator Glenn almost went through the ceiling of the White House when we were called over and informed 1 hour ahead of the President going on television to say that we

were going to recognize the People's Republic of China. That was hardly consultation, as he said.

This administration has been extraordinarily good on that score. I would consider the consultations we have had on the introduction of American peacekeeping forces into Lebanon as the highest order of consultation. No decision has been made. Policy is being formed now, and I would only ask you this question. Is it your intention to consult on those matters that affect the Foreign Relations Committee before a decision has been made by the administration, and consult adequately, in time to be able to have us share our views with you?

Mr. SHULTZ. Yes, sir.

The CHAIRMAN. Do you have any reservation about the ability of this committee to maintain secrecy of information and opinions provided by your Department in confidence? Are there steps which could be taken in your judgment to increase your confidence in this regard?

Mr. SHULTZ. I have complete confidence, and I will proceed on that basis until or unless experience proves me wrong.

The CHAIRMAN. Fine. I mentioned before, and we introduced a question from Arlen Specter on Soviet Jewry. I have discussed this so many times with the Soviets, and we are now at a very low level of emigration. Families are broken up, and there is considerable personal hardship experienced. To what do you attribute the sharp decline in allowances for Soviet Jews to emigrate?

Mr. SHULTZ. Well, it is a terrible thing that they are doing, and it is hard for me always to picture a society that feels they have to hold people in and do not have freedom of emigration. Of course, this is a movement to a very low level, and it is hard for me to imagine what the reason is. No doubt it has something to do with the overall attitude toward the nature of our relationship. It is always distressing to see that taken out on people.

The CHAIRMAN. What do you feel are the most positive things that we can do, first as a Government, to encourage emigration policy changes, and also what role do you feel private organizations can play in this effort?

Mr. SHULTZ. What organizations?

The CHAIRMAN. Private organizations.

Mr. SHULTZ. Well, on the last part of it, I think it is important for private organizations to be ready to receive people who come and to help them constructively to enter life wherever they go. I know many of the Jewish emigrees from Russia have wound up in California, and I am familiar with some efforts that have been made there with respect to scientific and engineering personnel to be helpful, but I think that is the type of thing that private organizations can do.

Insofar as what we can do, I think the first point always is to go back to the things that affect the generality of our relationship, and those are fundamental. Within that framework, then, I think we have to keep pointing out to the Soviet Union our views about this and other elements of the human rights picture, making it clear to them that we regard these matters as of great importance and as one of the touchstones of any emerging relationship that we might have.

The CHAIRMAN. One question had been raised in recent months by a growing number of Senators and Congressmen who have called for unilateral U.S. withdrawal of troops now stationed in Europe. In your opinion, what would be the consequences of U.S. troop withdrawal in whole or in part from Western Europe at this particular time? How do you think our European allies would react?

Mr. SHULTZ. I think it would be a devastating blow to the NATO alliance and therefore to ourselves, and it does seem to me clear that the NATO alliance must be given a great amount of credit for the fact that with all of the troubles we have managed to have peace in Europe for quite a stretch of time now, almost 40 years, and that is a good record and a good accomplishment for that alliance. They also are a strong element in the overall deterrence as applied to the Soviet Union. So, I think it would be a very bad thing.

The CHAIRMAN. I certainly agree with you, and would vigorously oppose it. We also have other strains, as we have mentioned earlier today, with our allies. Certainly the article that appeared in the Wall Street Journal on July 7, which I ask unanimous consent to insert into the record at this point, indicates that Japan and the Soviet Union will continue their joint development of oil and natural gas of the Sakhalin Islands despite a U.S. decision forbidding Japan from using U.S. technology in the project. An official of the Japanese Covernment said, we plan to complete the project no matter what.

[The article referred to follows:]

[From the Wall Street Journal, July 7, 1982]

JAPAN TO CONTINUE SOVIET ENERGY PROJECT DESPITE BAN BY UNITED STATES

TOKYO.—Japan and the Sovet Union will continue their joint development of oil and natural gas off Sakhalin Island despite a U.S. decision forbidding Japan from using U.S. technology in the project, an official of the Japanese government-backed Sakhalin Oil Development Corp. said.

"We plan to complete the project no matter what," the official, who declined to be identified, said. "We didn't set up this project to satisfy U.S. interests, and we won't quit just because the U.S. wants us to," he added.

The Reagan administration ban on using American technology on Soviet energy projects was imposed mainly to hamper the Siberian natural gas pipeline to Europe.

The Japanese official conceded that the U.S. ban will delay the project at least a year, but he insisted there is still hope the U.S. will lift the embargo.

If the U.S. ban remains in place, however, he said. "Our options are few, but somehow we will find a way." One option would be the use of Soviet technology, he said.

The Asahi Shimbun, a Japanese daily, reported that Japanese and Soviet officials already have agreed to continue the project in the northwest Pacific, using Soviet drilling equipment alone.

Originally, the next phase of the project was to use two offshore oil rigs, one Soviet and one Japanese. The latter incorporated U.S. technology, however, and has been withdrawn because of the U.S. ban.

The Sakhalin Oil Development official refused to comment on the Asahi report.

The CHAIRMAN. Similarly, in today's Wall Street Journal, we have an article that I ask without objection be incorporated, which points out that the 1960 embargo which we imposed on the Soviet Union construction of a pipeline 20 years ago was comparable to the present one. Both contributed slightly to Europe's energy needs. The Soviets have not cut off this 20-year-old pipeline, and

the major effect of that older embargo was to complicate United States-European relations. The West German Government was nearly brought down by the embargo, according to the article.

[The article referred to follows:]

[From the Wall Street Journal, July 14, 1982]

U.S. EFFORT TO BLOCK SOVIET GAS PIPELINE RECALLS FAILED EMBARGO OF 20 YEARS AGO

(By Steve Mufson)

"Trade denial has come to be an important symbol of our cold war resolve and purpose, and of our moral disapproval of the U.S.S.R.," wrote a presidential aide.

These words weren't written about the Reagan administration embargo of natural-gas pipeline equipment to the Soviet Union in the aftermath of the military crackdown in Poland. They were written 19 years ago by John F. Kennedy aide Walt Whitman Rostow about an almost identical U.S. embargo of equipment for a Soviet oil pipeline in the aftermath of the Cuban missile crisis.

All but forgotten in the U.S., the pipe embargo of 1962-1963 remains a sore point for West Germans eager for trade with the Soviet Union. Western experts on Soviet trade argue the Reagan administration could learn much from the pipeline battle 20 years ago. They also say the outcome of the current fight (if the Reagan administration persists) will probably be the same: some construction delay, but ultimately completion of the project, a political victory for the Soviets and a setback for the unity of the Western alliance.

The American embargo two decades ago remains freshest for the West Germans, who were the only ones to go along with U.S. efforts then. "The Germans keep coming back to this (earlier incident)," says Angela Stent, Georgetown University professor and author of "From Embargo to Ostpolitik," a book about West German-Soviet relations. "They were the only country to go along with the (1980) Olympic boycott as well. They aren't going to be in the position again of forfeiting business while their competitors and allies go ahead."

The U.S. decision to embargo large-diameter steel pipes to the U.S.S.R. in 1962 was a reponse to growing European trade with Russia and to concern about increasing Russian oil exports, according to Miss Stent.

Soviet plans at the time called for an increase in oil exports to the West to more than a million barrels a day, from a 1960 level of 486,000 barrels a day. Even the increased level was just 4% of world oil sales. About 40% of the Soviet oil exports went to Italy, Japan, and West Germany.

AN EARLIER CONTRACT

West Germany was attracted to the pipeline project as much for prospective steel exports to stop the slide in steel prices as for oil availability. On Oct. 5, 1962, three major Ruhr steel companies signed contracts to supply the U.S.S.R. with $28 million of 40-inch diameter steel pipe.

American officials cried out against the plans. "Economic warfare is especially well adapted to their (Soviet) aims of world-wide conquest," concluded Sen. Kenneth Keating's subcommittee after hearings on Soviet oil. "They are using oil to buy valuable machinery and know-how from the West. They have even succeeded in exchanging oil for the pipelines, valves and tankers. . . . If these tactics continue to succeed, there is danger that Western countries will become increasingly dependent on Soviet oil supplies for vital defense as well as industrial activities."

Oil companies also denounced the project. They charged that the Soviet Union was dumping oil, selling it to Germany at a price of $1.71 a barrel, well below world market prices of $2.56 a barrel, according to Miss Stent.

Unable to muster complete allied support for a formal Western embargo, the U.S. obtained an informal North Atlantic Treaty Organization resolution opposing the pipeline. Highly sensitive to U.S. pressure, the West German government agreed to comply with the resolution and barred the three steel companies from fulfilling their contracts. In the domestic political uproar that followed the ruling West German coalition was brought to the brink of collapse after it used the heavy-handed tactic of walking out of a meeting of the Bundestag, thus depriving the parliamentary body of a quorum and of the chance to vote down the proposed sanctions.

The three German companies slashed their operations in the wake of the sanctions. The Soviet Union sued the firms. And West German-Soviet trade dropped sharply.

OTHER ALLIES WENT AHEAD

Other allies weren't so easily deterred. The British deemed the NATO resolution non-binding and continued to supply large-diameter pipe to the Russians. The Italians interpreted the resolution as not applying retroactively and fulfilled existing contracts. Japan and Sweden also continued to supply the Soviet Union.

The embargo stimulated increased Soviet production of large-diameter pipes, albeit at the expense of other Soviet industrial goods. The Soviet pipe was also somewhat inferior in quality to Western pipe. In 1961 the U.S.S.R. produced no 40-inch diameter pipe; by 1965 it was producing 600,000 tons a year.

Soviet leader Nikita S. Khrushchev ridiculed the American embargo. "Anything one pleases can be regarded as strategic material, even a button, because it can be sewn onto a soldier's pants. A soldier won't wear pants without buttons, since otherwise he would have to hold them up with his hands. And then what can he do with his weapon? But if buttons really had such great importance and we couldn't find any substitute for them, then I am sure that our soldiers would even learn to keep their pants up with their teeth, so that their hands would be free to hold weapons."

In the end the pipeline was finished, though slightly late. Soviet oil exports increased as planned. Miss Stent concludes in her book that "the chief result was a general irritation both in East-West relations and in relations between the United States and its allies."

"It's obviously comparable," she says. Like the Soviet oil pipeline, the current Soviet natural-gas pipeline will contribute relatively small amounts of Europe's total energy needs. The U.S. is again hinging its embargo effort on one crucial item—compressors—instead of large pipe, and trying to enforce the embargo on European firms retroactively.

EUROPE MORE OUTSPOKEN TODAY

One important difference today is that Europe is more galvanized in its opposition to the U.S. efforts. "The Germans don't play the same role, but America is showing its allies that it doesn't like East-West trade policy," says Miss Stent. "The Russian are reacting in the exact same way: Their national virility is being salted. It is inducing them to develop their own capacity."

Another difference today is that some U.S. officials and conservative commentators are focusing their criticism on the credit arrangements through which the Soviet Union is financing the pipeline. The say that some Western governments are subsidizing credit that Moscow wouldn't be able to raise on a free market. Such credit, they say, will indirectly help the Soviets build other segments of their economy or military. Proponents of the pipeline project reply, however, that the Soviet Union will, in effect, pay for those credit subsidies through lower gas prices.

Miss Stent plays down U.S. arguments of potential security threats posed by energy dependence on the Soviet Union. "Some of that dependence already exists. Besides there are four areas, such as Berlin, where the Soviet Union can put pressure on without sacrificing earnings." Furthermore, she adds, "it is in the security interests of Europeans to diversity sources of supply. The Soviet Union is as attractive as Libya or Algeria."

"Yes, the embargo will hurt them," argues John Hardt, Library of Congress analyst, about the Soviet Union. "The pipeline, like the one in 1962, will be more costly, take more time, be of less quality. But the Soviet Union will offset the efficiencies it would have gained by making different priorities."

"We've created new opportunities for the Soviets," says Ed Hewitt, Soviet Union expert at the Brookings Institution. "They'd like to come out with some diplomatic coup, an agreement with Europe directly contrary to the wishes of the U.S. government. If they can come off with a visible, highly publicized agreement (to replace embargoed U.S. equipment), that would be worth something to them."

The CHAIRMAN. So, once again, I think we have a very serious problem. I would like, in my closing comments, to read one sentence again from the letter from Ambassador Mansfield. I think Senator Pell and I both received this. "George Shultz is the right

man for the right job at the right time, and his services are greatly needed at this time of great difficulty."

We discussed earlier a statement made by a PLO official that the PLO was prepared to recognize Israel on a reciprocal basis. Over the lunch hour, I have had reaffirmed to my satisfaction from a neutral source, but a source that is a close friend of the United States of America at the highest level that this is a fact, that a great opportunity now exists, and universally the moderate Arab countries are hoping that we will see this opportunity. At long last, possibly the greatest adversary that Israel has had that has threatened the peace of the region, may be at a point where it will recognize the right of Israel to exist behind defensible borders, and the right of its people and the people of the whole region to live in peace.

Mr. Secretary, I cannot imagine anyone better qualified to take on that challenge and the many other challenges that the members of this committee have laid before you.

Does anyone have any further comments or questions?

Senator DODD. Mr. Chairman.

The CHAIRMAN. Senator Dodd, do you want to take up this one resolution first?

Senator DODD. This can be drawn up almost by unanimous consent. This is the Glenn resolution, and if the Senator were here, he would offer it. It reinstates the language as part of the certification process, the successful examination and prosecution of those responsible for the death of the churchwomen and the AIFLD officers as well as the journalist, John Sullivan, who disappeared in El Salvador. It is the same language that the House adopted yesterday 399 to 1.

I would recommend, Mr. Chairman, that we adopt Senate Joint Resolution 208 or the House resolution, whichever is simpler. The words are identical in both resolutions.

Senator PELL. I would strongly support the motion of the Senator from Connecticut.

The CHAIRMAN. Is there any objection?

Senator SARBANES. Why don't we do the House resolution?

Senator DODD. If we do the Senate resolution, we can change the number on the floor.

The CHAIRMAN. Is there any objection to the Senate resolution or a desire to set it aside and discuss it later?

[No response.]

The CHAIRMAN. Without objection, the resolution is adopted.

Senator DODD. Thank you, Mr. Chairman.

The CHAIRMAN. Secretary Shultz, you are free to stay if you wish. If you wish to be excused, we will take the vote.

Mr. SHULTZ. I always believe that when the professors discuss and vote, the students should leave, so I will see you later.

The CHAIRMAN. Thank you very much indeed. [Pause.]

The record will be kept open for additional questions that may be submitted to Mr. George Shultz. He has a number already that have been submitted.

There being no further questions, the Chair would entertain a motion.

Senator PELL. I move approval of the nomination of Mr. Shultz.
Senator LUGAR. I second the motion.
The CHAIRMAN. It has been moved and seconded. The Clerk will call the roll.
Mr. KEANEY. Mr. Baker.
Mr. SANDERS. Aye by proxy.
Mr. KEANEY. Mr. Helms.
[No response.]
Mr. KEANEY. Mr. Hayakawa.
Senator HAYAKAWA. Aye.
Mr. KEANEY. Mr. Lugar.
Senator LUGAR. Aye.
Mr. KEANEY. Mr. Mathias.
Senator MATHIAS. Aye.
Mr. KEANEY. Mrs. Kassebaum.
Senator KASSEBAUM. Aye.
Mr. KEANEY. Mr. Boschwitz.
Senator BOSCHWITZ. Aye.
Mr. KEANEY. Mr. Pressler.
Senator PRESSLER. Aye.
Mr. KEANEY. Mr. Pell.
Senator PELL. Aye.
Mr. KEANEY. Mr. Biden.
Senator PELL. Senator Biden is unavoidably detained because he is chairing a special closed-door hearing of the Intelligence Committee, but he votes aye by proxy.
Mr. KEANEY. Mr. Glenn.
Senator PELL. Aye by proxy.
Mr. KEANEY. Mr. Sarbanes.
Senator SARBANES. Aye.
Mr. KEANEY. Mr. Zorinsky.
Senator PELL. Aye by proxy.
Mr. KEANEY. Mr. Tsongas.
Senator TSONGAS. Aye.
Mr. KEANEY. Mr. Cranston.
Senator CRANSTON. Aye.
Mr. KEANEY. Mr. Dodd.
Senator DODD. Aye.
Mr. KEANEY. Mr. Chairman.
The CHAIRMAN. Aye.
The ayes are 16, the nays are 0. We will leave the balloting open. We have called Senator Helms' office. I feel quite confident it is just a matter of a moment before we have his vote. It is unanimous. I would ask the committee's judgment on the time limitation. I am sure the leadership on both sides will accept whatever decision the committee makes. It is recommended that we limit debate to 1 hour, half an hour to each side.
Senator TSONGAS. What is the other side?
Senator PELL. What about 30 minutes and 30 minutes divided evenly?
Senator SARBANES. Yes.
Senator CRANSTON. Anything.
The CHAIRMAN. We will then advise the leadership that it is acceptable with this committee to take up the nomination today, and

that it will be limited to 1 hour equally divided. Is there any further business to come before the meeting?

[No response.]

The CHAIRMAN. Members of the Committee, I wish to thank you very much indeed for your usual splendid cooperation. This meeting is adjourned.

[Additional questions and answers follow:]

STATE DEPARTMENT'S RESPONSES TO ADDITIONAL QUESTIONS SUBMITTED BY SENATOR PERCY

Question 1. Do you think that the United States is militarily overextended in terms of our foreign policy commitments?

Answer. No. The United States does not approach the military requirements of its foreign policy commitments with the assumption that we will have to act unilaterally or in multiple theaters simultaneously. In any major military contingency, the United States would rely heavily upon its Allies.

The United States has allowed its military capabilities to dwindle by years of underfunding the Defense Department. To that extent we are overextended in some areas. The President's Five Year Defense Program is designed to bring our capabilities and requirements more into line.

Question 2. U.S. Troop withdrawal in Western Europe.—In recent months, a growing number of Senators and Congressmen have called for unilateral U.S. withdrawals of troops now stationed in Europe.

(A) In your opinion, what would be the consequences of U.S. troop withdrawal in Western Europe?

(B) How specifically, do you believe the European allies would react?

Answer. (A) American troops in Europe are there for our own vital national interests in the defense of Allied security. They are also essential for America's leadership of a united Western coalition. Placing that commitment in doubt by threats of troop withdrawals would run counter to our long-standing interest in Western security. It would also weaken and demoralize Western Europe and virtually exclude Allied support for U.S. efforts to meet the Soviet challenge outside of Europe.

Most of those who talk of reducing our troop presence in Europe argue that we should maintain our commitment and our presence but that we should spur our Allies into action by symbolic withdrawals or by threatening withdrawals. Their approach is largely tactical, designed to produce a more equitable distribution of the burden, if not a greater overall effort.

This approach is highly unwise. At a time when we are working with Allied governments to warn publics as to the magnitude of the Soviet threat, even token troop withdrawals would send a totally contradictory signal. It would be impossible to counter the argument that the European security situation cannot be all that bad if the U.S. has begun to pull out forces. We would cripple Allied governments in their efforts to gain public and parliamentary support for improved defenses.

(B) Unilateral withdrawals would seriously degrade NATO conventional defense capability, would weaken the concept of forward defense and undercut the NATO position in MBFR negotiations. It would certainly be seen by both Allies and potential adversaries as a weakening of U.S. commitments abroad and a reinstatement of a "Fortress America" foreign policy. It would be welcomed by the Soviet Union and play directly into their hands, splitting the United States from Europe. This reduced commitment on our part would be perceived as a relinquishment of world leadership. It would not stimulate increased defense commitment by our Allies; instead, the opposite effect would more likely result. U.S. abilities to exert our influence with Allies on political, military and economic issues would be further limited by such action.

Question 3. Do you believe that additional U.S. military advisers are necessary or advisable in El Salvador?

Answer. U.S. military personnel are assigned to El Salvador as part of military training teams. They are trainers, not advisers. There have been up to 57 of these U.S. military trainers in El Salvador in connection with our security assistance program. We believe that we can successfully implement that program without any significant increase in the number of in-country U.S. trainers.

Question 4. The Congress agreed last year to provide high levels of military aid to Pakistan to strengthen our strategic position in South Asia and the Persian Gulf. If Pakistan continues to develop the capability for nuclear weapons, however, at what point should the U.S. terminate aid to show our opposition to nuclear proliferation?

Answer. We have made it clear to the Pakistan Government that given our firm commitment to nonproliferation, a Pakistani nuclear explosion or violation of international safeguards would have serious consequences for United States-Pakistan bilateral relations. We believe that the current U.S. program of economic and military assistance should enhance Pakistan's sense of security and help remove the principal underlying incentive for the acquisition of a nuclear weapons capability. Pakistan insists that its nuclear research is directed toward peaceful ends.

Question 5. The United States is behind on its commitments to IDA VI, but has indicated it will begin negotiations on IDA VII this fall. Other donors might possibly increase their relative contributions to IDA and other multilateral banks, but probably only at the price of reduced U.S. influence in those institutions. If the choice was between reduced U.S. influence or reduced multilateral assistance flows to the Third World, which would you choose?

Answer. The Administration has not suggested a reduction in multilateral assistance flows, so we do not believe we face a choice between U.S. influence and assistance levels. We do believe, however, that U.S. contributions to the concessional MDB windows should be reduced, at least in real terms, and that such assistance should be concentrated more on the neediest countries. It is conceivable that other donors may wish to support a larger IDA VII than the United States will wish to support, and therefore be willing to increase their relative shares. However, we expect the United States will continue to be the largest overall contributor to concessional windows, and thus I believe our influence will remain considerable. The difficulties we have experienced in funding IDA VI accentuate the importance of reaching agreement on a level for IDA VII which will have the broad support of the Congress. U.S. inability to meet our internationally negotiated commitments on a timely basis is inconsistent with the leadership role we wish to exercise in the MDBs.

Question 6. I have been pleased this year to help launch the Export Processing Industry Coalition—EPIC—which is a unique coalition of labor and the processed foods industry united to boost exports.

The goal of EPIC—and it is a goal I strongly support—is to increase value-added commodity exports to enhance our balance of payments.

The State Department has been one of the most forceful proponents of further value-added exports in the past year. Although other executive departments have the primary export promotion responsibilities, our embassy personnel can play a very significant role in expanding opportunities for value-added sales abroad.

Can you pledge to us your support for this effort and will you charge your appointment for the Under Secretary of State for Economic Affairs—whoever he or she may be—with support for this export initiative?

Answer. I recognize the additional economic benefits, in terms of revenue, foreign exchange, and employment, which exports of processed, or value-added, products bring to our national economy. I can assure you that our embassies will continue to play a significant role in expanding opportunities for value-added exports, in active support of the market development programs of USDA's Foreign Agricultural Service. The Under Secretary of State for Economic Affairs in my Department, as well as other economic officials, will be charged with supporting this initiative.

The State Department will continue to work closely with the Export Processing Industry Coalition to boost value-added exports. This kind of private sector initiative, in tandem with the efforts of government agencies, can make a real contribution to achieving our economic objectives.

Question 7. Early in his administration, Secretary Haig directed each of our ambassadors to make export promotion—of all kinds—a high priority at their embassies.

As a member of the President's Export Council, I know the importance of export promotion to our nation's economic well-being. I know you share that belief, too. After you have taken office, will you instruct our ambassadors to make export promotion a high priority in their overseas responsibilities?

Answer. I am well aware of Secretary Haig's earlier guidance to Chiefs of Mission regarding export promotion. I agree fully with the position he took.

In recent years significant export contracts have been awarded to American companies that energetically pursued sales opportunities abroad. In more and more cases, our firms are being assisted in their competition for overseas business by the Foreign Service and the Foreign Commercial Service, including key officers of our overseas posts.

The contribution which an American ambassador can make to the U.S. export campaign is often critical to winning foreign business contracts. In the past 18 months, and particularly in areas of major project contracts, there are at least eight

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cases in eight countries (Egypt, Argentina, Paraguay, Hungary, Yugoslavia, Korea, Japan, and Saudi Arabia) in which the full involvement by our ambassador and his senior aides in-country have contributed to a decision favorable to the U.S. bidder.

I want to see this kind of support to U.S. business continue and I will be advising my Chiefs of Mission on the subject.

Question 8. On numerous occasions, the European Community has threatened to limit its imports of corn gluten feed products from the United States. Corn gluten feed is a high protein animal feed ingredient, that is principally produced in Illinois by corn wet milling industry. Exports of corn gluten feed to the European Community total nearly $500 million annually.

Corn gluten feed exports have achieved these high levels largely due to the fact that the EC grains policy keeps the domestic price of European feed stuffs artificially high. Also, during the Kennedy Round of Multilateral Trade Negotiations, the United States successfully negotiated a zero duty on corn gulten feed imports into the Community. As a result, the restrictive import levies of the Community do not apply to corn gluten feed. In exchange for obtaining this valuable concession, the United States granted certain trade advantages to the Community. Unfortunately, the Community has now asked for Article XXII consultations under the General Agreement on Tariffs and Trade (GATT) with the United States to discuss the possibility of limiting the amount of duty-free corn gluten feed exports that the United States could ship to the Community. Additionally, on August 1, 1982, the Community has ordered that corn gluten feed be placed under its grain import licensing regime that will institute government controls, for the first time, for this import.

Any restriction on this binding is unacceptable. It is vitally important to our corn growers and processors who are facing difficult economic times. Recently, both the Senate and the House unanimously supported resolutions urging the Executive Branch to reject this protectionist move by the Community. As you know, I introduced this resolution in the Senate.

Do you agree that the United States must once again tell the EC that we cannot and will not accept limitations on our exports of corn gluten feed? In other words, isn't it a fact that this matter is a non-negotiable issue?

Answer. I share the Administration's view that the binding on corn gluten feed is non-negotiable. Our exports of this product to the EC are the direct result of the EC's high grain prices, and I do not believe that U.S. farmers should have to bear the cost of the EC's internal adjustment.

As a result of your efforts and those of your colleagues in the Senate and the House, the EC Commission's earlier request for a Council mandate to negotiate with us on corn gluten feed has been shelved temporarily. In response to the EC request we have agreed to GATT consultations—not negotiations—on corn gluten feed. These will take place in September. We have made our position that the binding on corn gluten feed is not negotiable very clear, and we hope that the EC will not consider the consultations as the prelude to any negotiations.

As of August 1, corn gluten feed imports will come under the EC's Common Agricultural Policy for grains, which means import licenses will be required. The EC has assured us that this move is not intended to restrict corn gluten feed imports, but to allow the Commission to collect trade data more quickly and completely. We have instructed our embassies in the EC capitals to monitor the implementation of this program to make sure that it is not used in any way to delay or restrict corn gluten feed imports.

Question 9. If the Europeans continue to heavily subsidize processed food exports, despite our vigorous protests in the GATT, should we review our own trade approach to export subsidies—as permitted in the 1981 Farm Bill?

Answer. The EC and the United States are the most important players in world agricultural trade, and their policies shape the direction of the entire system. The United States has consistently supported a liberalization of world agricultural trade, which makes economic sense and benefits consumers and competitive producers. We plan to work within the GATT to get the rules for trade in agricultural products brought more closely into line with the rules for other kinds of products. This should increase discipline over the use of agricultural export subsidies. In that context, I think it would be counterproductive, as well as costly, for the United States to begin subsidizing its agricultural exports. During the seventies, when we did not subsidize, our agricultural exports quadrupled, and our market shares increased. We have the most to lose if the world agricultural trade system becomes more protectionist rather than less so.

At the same time I recognize that the EC's export subsidy practices disadvantage U.S. farm exports, at a time when U.S. farm incomes are seriously depressed. High on our list of trade priorities must be protecting our access to the EC market while

seeking to improve the climate for U.S. agricultural exports to third markets. The 1981 Farm Bill does give us the authority to subsidize agricultural exports, but I think we would be better served by continuing to seek improvements through GATT and through a bilateral dialogue with the EC.

Question 10. Mr. Shultz, you are known to be a strong believer in a marketplace economy and free trade principles, a viewpoint most of us share and most American agricultural processing firms share. However, we seem to be faced with many instances where U.S. businesses are competing against the treasuries of other governments and where subsidies by other governments are taking away markets of American-produced and American-processed products. Do you agree that the State Department must vigorously oppose trade policies of other countries which give them an unfair competitive advantage over U.S. products?

Answer. I agree with you that we must seek greater adherence to the principles of free trade. In particular, I believe that greater discipline should be obtained over the use of export subsidies which are expensive, inefficient and which lead to serious distortions in the world trading system.

Although, present international rules prohibit the use of export subsidies for manufactures, export subsidies are permitted for agricultural products under certain circumstances. Agricultural trade will be addressed at the upcoming GATT Ministerial meeting. I understand that the goal of the Administration in that area is an agreement for greater discipline over agricultural export subsidies; I fully support that goal.

STATE DEPARTMENT'S RESPONSES TO ADDITIONAL QUESTIONS SUBMITTED BY SENATOR PELL

Question 1. The full Senate is expected very shortly to consider Montreal Protocols 3 and 4 which modernize the existing international system regarding aviation accident compensation and liability. How important do you consider ratification of the Montreal Protocols? Will you be lending your personal support to this effort?

Answer. This Administration strongly supports ratification of the Montreal Protocols 3 and 4 as an important step in achieving its policy objectives in international aviation.

For over two decades, the United States has sought to forge broad international agreement on necessary changes to the outmoded and inadequate international airline liability system under the 1929 Warsaw Covention. The Montreal Protocols represent such an agreement and, as finally negotiated, are a significant success for United States diplomacy. As the leader in this effort, the United States would face serious consequences should the Protocols fail to receive approval; at stake is our credibility in the international aviation community and the ability to negotiate effectively in the future. Moreover, we believe that the Protocols, as supplemented by an adequate domestic compensation plan, will provide the U.S. public traveling in international flight with a more speedy, certain and just system of compensation than is presently available.

The Senate Foreign Relations Committee reported favorably on the Montreal Protocols last December. I understand both the Committee and the Administration thoroughly assessed the reservations which have been expressed regarding the Protocols and concluded that the Protocols, supplemented by an appropriate domestic supplemental compensation plan, are in the best interests of the United States and the citizens we seek to protect. I will certainly be lending my personal support to ensure approval by the full Senate.

Question 2. U.N. as a Forum for U.S. Policy—The issues that come before the various bodies of the United Nations are legion, and very much reflect the global condition at any given time. Yet, in terms of evolving U.S. foreign policy, the United States appears to under-utilize the United Nations as one of the several significant instruments available for influencing world conditions. Moreover, except for prearranged conferences, one sometimes has the impression that the United States is reacting to a sudden U.N. development rather than implementing part of a preplanned foreign policy in which certain events had been anticipated. Do you believe this to be the case? If so, how do you envision making U.S. activities in the United Nations a vital aspect of State Department policymaking?

Answer. The United States actively uses the U.N. to pursue our interests in those cases that call for a multi-lateral approach. In other cases, we are better able to protect our interests through bilateral and non-U.N. channels. We recognize that, since the General Assembly and many other U.N. bodies are dominated by developing nations whose interests do not always coincide with ours, it is not always to our

advantage that important issues—for example, sensitive arms control matters—be decided in these bodies.

There will inevitably be a reactive element in the conduct of our diplomacy at the U.N. since many of the most urgent crises are unforeseen.

On the other hand, the Administration has pursued clear policies and applied them consistently in the U.N. In the Middle East, for example, we have adhered to the principle of an equitable solution for all parties including Israel even when such a stance isolated us from the majority. On the Falklands issue, we consistently defended the principle of non-resort to force.

As a result of our principled stances, our positions are well known at the U.N. and beyond.

I will, of course, continue our efforts to search for new ways to use the U.N. constructively and to increase U.S. influence in the world. The negotiations for a settlement in Namibia—on which significant progress is currently being made—is one example of an Administration initiative in close coordination with the U.N., which I intend to support fully.

Question 3. Senate Concurrent Resolution 68 passed the Senate on April 14, 1982. It mandates that the Secretary of State put members of the U.N. on notice that should Israel be denied its right to participate, the United States will withdraw from any further activity or participation in the U.N. General Assembly, or any other U.N. body which expels or suspends Israel, and will suspend payments of our assessed contributions to the U.N. As you know, this resolution followed the adoption on February 5, 1982, by the U.S. General Assembly of a resolution declaring Israel "not to be a peace-loving state," (a criterion for U.N. membership). What is your opinion of this concurrent resolution? Do you believe it is desirable to declare in advance what specific U.S. reaction would be to a successful challenge to Israel's U.N. membership?

Answer. I can assure you that I share the concern expressed in the unanimouly approved S. Con. Res. 68, as well as the nearly identical H. Con. Res. 322 passed overwhelmingly by the House. While these texts have not yet been reconciled in conference, they represent the unmistakable view of the Congress on this issue, and I sympathize with the objective of these Congressional actions which is to deter any effort to curtail Israel's rights of participation in the U.N.

The Reagan Administration is deeply concerned about the threats which have been made against Israel's right to participate in U.N. bodies. I would oppose any such challenge vigorously. As Secretary of State, I would reiterate firmly that any action to deny Israel's right to participate in a U.N. body, if successfully pressed, would have the gravest consequences for U.S. participation in and support of that body, and I would ensure that this position is made clear to other nations.

I do not believe it would be wise for the Administration to state specifically in advance precisely what the U.S. response would be to a successful challenge to Israel's U.N. membership rights. Our strenuous opposition to such challenges is already abundantly clear.

I can assure you that the strength of the Administration's opposition to any such challenge is well understood around the world. We have constantly reiterated this in our private diplomatic consultations with other nations, and I plan to continue emphasizing this. The serious view the United States takes on this issue has been reinforced by the Congressional resolutions.

Question 4. Polarization at U.N.—U.N. Ambassador Jeane Kirkpatrick has said that the United Nations is being used to "polarize nations, spread hostility and exacerbate conflict." The Department of State has indicated that it is taking various measures to offset these developments—standing for principles even if it means standing alone, and making it clear that the U.S. expects its friends who disagree with distorted characterizations of our policies to stand up and be counted. What additional steps, if any, do you think might be taken to reduce this politicized behavior in the United Nations, and thereby provide an environment where the institution can once again engage in "useful dialogue and constructive action"?

Answer. The Administration is already making a strong effort to encourage "useful dialogue and constructive action" in the specialized agencies of the U.N. system by urging that discussion of extraneous political issues, which divert these agencies from their real work, be avoided. This is one way in which we try to increase the effectiveness of these valuable U.N. organizations.

As for further steps in the U.N.'s political organs, we must continue efforts to encourage the nations of the developing and non-aligned majority to avoid using these forums in a way that exacerbates rather than resolves confict and to work harder to deal with problems objectively.

We recognize that since these are political bodies, a certain degree of rhetoric and posturing are inevitable. Nevertheless, we will continue to impress upon other U.N. members that peaceful solutions are not served by acrimonious unbalanced resolutions which diminish opportunities for agreement and accommodation.

Question 5. Role of the United States in the U.N.—In the period immediately following World War II, the United States was the dominant force in building and shaping the United Nations. In recent years, the U.N. environment has been less favorable to the U.S. position and our influence has significantly diminished. What do you see as the role and obligation of the United States in today's United Nations? What collective action do you think the United States can achieve through the United Nations with regard to the specific issues of: (a) Third World aid and development; (b) terrorism; (c) nuclear sales and arms proliferation; (d) the international energy situation; (e) refugees; and (f) human rights? What will you do as Secretary to increase public understanding of the United Nations and its importance to the United States?

Answer. The role and obligation of the United States in the U.N. is to strengthen the ability of the U.N. to uphold the principles of the U.N. Charter and to encourage U.N. actions that promote international peace and security and a more cooperative world, thereby furthering U.S. interests.

The U.N. provides assistance to developing nations through such agencies as UNDP, UNICEF, FAO, and many others. We contribute to and support these agencies. They provide an important supplement to our bilateral economic aid and to aid from international financial institutions such as the World Bank and the IMF.

The U.N. system has produced a series of conventions and resolutions of the Nordic countries on protection of diplomats. We have encouraged in the U.N. increased accession to and compliance with existing treaties designed to combat terrorism.

The United States also works actively through the International Atomic Energy Agency, a U.N. body, to strengthen international safeguards on peaceful uses of nuclear energy. These are designed to detect diversion of nuclear facilities to military purposes and to deter such diversion.

The U N. took a useful initiative in the energy field through the Conference on New and Renewable Sources of Energy in order to deal with energy problems, particularly in developing nations.

The U.N. High Commission for Refugees, to which the United States is the largest donor, is the leading international agency for providing relief and assistance to refugees worldwide. We work closely with the UNHCR to encourage effective relief and protection and, whenever possible, repatriation for refugees.

We strongly support the U.N. Human Rights Commission which is the preeminent multilateral human rights forum. It has made many important contributions to increasing international understanding and suppport for human rights and encouraging nations to correct abuses. For example, in February the UNHRC adopted a resolution, inspired by the United States, calling for an investigation of human rights abuses by the martial law regime in Poland.

I will work actively to promote a creative role for the United States in the United Nations and public understanding of the U.N. as one forum in which we pursue our policies.

Question 6. Do you expect to make any changes in U.S. refugee policy?

Answer. No. This Administration is firmly committed to the policy and principle that the United States should do its fair share in helping to shoulder the burden of the world refugee problem. The continued flight of refugees from situations of persecution and oppression constitutes a major rights responsibility for the world community. The United States has long been the world leader in refugee assistance efforts, in cooperation with other concerned nations, and with the international bodies with responsibility to assist refugees, in particular the United Nations High Commissioner for Refugees (UNHCR). In the current fiscal year (fiscal year 1982) we are admitting into the United States for resettlement about 100,000 refugees—the majority from the communist-dominated countries of Southeast Asia—and the remainder from other areas, including the Soviet Union and Eastern Europe, Afghanistan, Africa, the Middle East, and Latin America. We are also contributing substantially to international relief efforts for refugees: Some $250 million annually in fiscal year 1982 and fiscal year 1983, including major contributions for refugees in Thailand, Malaysia, Somalia and Pakistan—countries that are providing essential temporary refuge for refugees unable to return to their homelands. The U.S. refugee commitment is signalled again this week by the announcement of our contributions to assist victims of the conflict in Lebanon. A total of $65 million is currently earmarked for Lebanon, from both refugee assistance and AID funds.

Question 7. What institutional changes do you feel are needed within the U.S. Government to deal with the increasingly complex issues of refugee and migrant admission to the United States?

Answer. None. The Refugee Act of 1980 established the framework now in place for the administration of the U.S. Government's refugee programs and policies. The Act provided for a U.S. Coordinator for Refugees (Ambassador at Large H. Eugene Douglas) with responsibility for coordinating the responsibilities of the concerned Federal Departments: principally State, Justice, and Health and Human Services (HHS). As prescribed in the Act, regular consultations take place with the concerned Congressional Committees on U.S. refugee admissions and other aspects of refugee policy. There is close coordination between the Coordinator's office and the concerned offices in the other Federal agencies: the Bureau for Refugee Programs in the State Department, the Immigration and Naturalization Service in Justice, and the Office of Refugee Resettlement in HHS. On the specific issue of immigration, the omnibus immigration bill that the President sent forward to the Congress will make a significant new contribution to resolving the problems of migrant admissions and illegal immigration. While this is the primary responsibility of the Justice Department, we will, of course, continue to work closely with them on this serious issue.

Question 8. What relationship do you see between U.S. refugee policy and U.S. human rights policies?

Answer. There is a very close relationship between the American commitment to assist refugees and our concern about human rights. Refugees by definition are people who have left their homeland to escape persecution on political, religious, or social grounds. The conditions in those homelands that cause refugees to flee frequently amount to serious violations of human rights—not just for those able to leave—but for the large numbers who remain in those countries. Our human rights policies have the objective of encouraging human rights practices that meet accepted international standards. When human rights conditions improve, this will often have the effect of moderating or eliminating practices which have compelled refugees to seek asylum abroad. We have joined with other governments in the U.N. and other forums in pressing for international action to deal with the root causes of massive refugee flows by examining the human rights conditions that cause them.

Question 9. International Environment—In July 1978, the Senate unanimously adopted Senator Pell's S. Res. 49 calling for the negotiation of a multilateral treaty requiring the preparation of international environmental assessments in connection with any project or activity that "may reasonably be expected to have a significant adverse effect on the physical environment or environmental interests of another nation or global commons area." The Carter Administration supported the idea of such a treaty and pursued it through the U.N. Environment Program.

(a) Do you favor such a treaty? If so, how do you intend to proceed? If not, why?

(b) What in your view are the major international and environmental issues requiring priority action by the world community? Will this Administration be taking any new initiatives in this area?

Answer. (a) This Administration continues to favor the concept of international environmental assessments. pursuant to E.O. 12114 of January 4, 1979, the USG has developed procedures for conducting such assessments on U.S. projects or activities which may affect the environments of Canada, Mexico and other foreign countries and in which the foreign country concerned is not participating.

With respect to a treaty requiring the preparation of international environmental assessments, in 1979 the United States brought up the concept of such a treaty at the United Nations General Assembly. However, it then became apparent that there was substantial opposition to the treaty concept and a U.S. effort to push it in the UNGA would be counterproductive.

On the basis of that experience, it was decided that the most effective action that the United States could take concerning international environmental assessments would be to work through the United Nations Environment Program (UNEP) and other international organizations to foster a better understanding of the concept (and the adoption of domestic assessment procedures by other countries). Interest in environmental assessments is increasing. The European Communities are currently developing environmental assessment procedures. At the recent UNEP Session of Special Character at Nairobi, many developing countries indicated interest in such procedures. Furthermore, the major international lending agencies have agreed to incorporate environmental assessments in projects they finance.

This Administration will continue to work through appropriate international fora and mechanisms to promote support for international use of environmental assessments.

(b) While some environmental issues can best be dealt with domestically by individual countries, others, such as ocean pollution and potentially climate-influencing changes in the atmosphere (carbon dioxide buildup, ozone layer depletion), by their very nature transcend national boundaries and must be addressed internationally. As the United States stated at the UNEP Session of Special Character, we believe international priority attention should be given the following areas:

(1) Monitoring and assessment of environmental conditions and trends, including the upgrading of capabilities for anticipating the emergence of new problems, and for the evaluation of changing conditions and interactions so as to provide an augmented scientific data base to be used in determining the need for remedial measures. In this connection, the use of advanced space technology to investigate a number of environmental stresses potentially threatening to affect global habitability over the next 5 to 50 years offers significant opportunities for international cooperation.

(2) Natural resources management including, inter alia, curbing extensive deforestation, improving the productive capacity of arid and semi-arid lands, and preventing degradation of prime croplands by erosion, salination and waterlogging.

(3) Environmental education, training and information dissemination, with a view to continued expansion of popular awareness and knowledge, and enlargement of the base of trained personnel, in the environmental and resource areas.

Question 10. Are you familiar with the five human rights covenants now pending before this Committee? If so, what are your personal views on ratification by the United States of any of these covenants?

Answer. The issue of the five human rights covenants is an important one, and I am not yet familiar with them in any great detail. The Department has been studing them and the issue of ratification, and I would prefer to withhold comment until those studies are completed.

Question 11. The Covenants pending before the Committee are multilateral agreements. Do you believe that the United States would be better served in the long run to promote human rights objectives through multilateral institutions as opposed to bilateral efforts?

Answer. I believe that we must employ both bilateral and multilateral efforts to promote human rights. This Administration prefers to use traditional diplomacy in this regard because it believes that is the most effective way to achieve results with receptive countries. However, that approach does not work with all countries and it all instances, and thus there is a real role for public expressions of our concern and for the use of multilateral fora such as the United Nations, the CSCE process, the regional bodies, and the exercise of our vote extensions of credit by multilateral development banks.

Question 12. Do you concur that the Soviets now have a definite margin of strategic superiority over the United States? If so, how would you define that superiority?

Answer. As President Reagan said on March 31, the Soviets have a "definite margin of superiority, enough so there is a risk . . ." In some critical areas, and particularly in the numbers and capabilities of their ICBM force and the Soviet monopoly of intermediate-range nuclear missiles in Europe, the U.S.S.R. has advantages over the United States that are not offset by U.S. capabilities in other areas.

This does not mean that our nuclear deterrent is not effective today—for it most assuredly is. There can be no disagreement, however, that, in the overall strategic balance, the United States has experienced a long downward trend relative to the Soviet Union. The President's strategic modernization program coupled closely with his approach to meaningful arms control is designed to correct existing deficiencies in U.S. forces and to sustain the credibility, survivability and effectiveness of our deterrent.

Question 13. If the Administration believes the Soviets must see the United States as strong, and getting stronger in order to reach arms control, what is the point of the verbal disarmament inherent in conceding superiority to them?

Answer. We must assess our capabilities relative to the Soviet Union soberly and objectively. Such an assessment indicates that there are important and destabilizing asymmetries in the existing strategic balance.

Saying that we are stronger than we really are may succeed in convincing ourselves. Deterrence, however, depends on convincing the Soviets. This requires real capabilities in-being, capabilities that can be understood by the Soviet Union.

It is essential that we proceed with the planned modernization program. Support for these programs requires an objective appraisal of our capabilities and our requirements.

Question 14. Do you believe that the United States now has a credible deterrent to nuclear attack?

Answer. As I have stated, the United States certainly now has a credible deterrent. But we must look at this question in the broader context. A number of instabilities have entered into the strategic equation, brought about through the massive Soviet investment in their military. Our goals must be to correct the instabilities and reestablish the strategic balance. This will require the mutually supportive arms control and modernization programs that have been begun by the President.

Question 15. In your opinion, are our current and programmed strategic nuclear capabilities adequate to back up our foreign policy commitments, including our nuclear guarantee to NATO and other allies?

Answer. As with the question on deterrence, our forces today can support our most basic commitments. In some cases, however, that support is quite thin and has deteriorated—again because of the Soviet buildup—over the past few years. Our task is to reestablish our confidence, and that of our Allies, in our ability to meet our commitments and to convince the Soviets that we could, and would, effectively meet any threats to our security.

Question 16. Would you rather have at your disposal the U.S. nuclear arsenal or the Soviet nuclear arsenal?

Answer. I have been disturbed by trends in the strategic balance during the past decade which decidedly have not been in our favor. Therefore, I fully support both the President's modernization program, which will ensure the viability of our strategic deterrent, and his approach to arms controls, which seeks significant reductions in nuclear armaments. If we do not succeed with these modernization and arms control efforts the answer to your question will be clear.

The question is a particularly complex one, involving numerous qualitative and quantitative factors. There are categories in which the Soviets have an advantage and there are some in which we have an advantage. But I feel the question obscures the more important strategic question: how well are our forces able to perform their assigned role? In other words how well do they support our policy of deterrence?

We tend to emphasize forces which are survivable and contribute to stability. The Soviets, on the other hand, have stressed the development of large, accurate land-based missiles which now pose a significant first-strike threat to our land-based forces.

To maintain a credible deterrent in the face of the Soviet threat we must proceed with the President's arms control and strategic modernization programs.

Question 17. Would you rather have at your disposal the U.S. nuclear arsenal or the Soviet nuclear arsenal?

Answer. This is a complex question which tends to obscure the real strategic issues before us—survivability and strategic stability. The answer to this question depends on the role assigned to strategic forces. For example, the Soviets have emphasized the development of large, accurate land-based missiles which now pose a significant threat to our land-based forces. If the objective is to execute a first strike, Soviet forces are better suited for this mission. The United States, on the other hand, has emphasized the development of a survivable assured retaliatory capability. In light of the Soviet strategic buildup, our modernization programs which emphasize survivability are absolutely essential.

A major goal is to achieve substantial reductions in the nuclear arsenals on both sides.

Question 18. How would you assess the current capabilities of the Rapid Deployment Force?

Answer. The RDJTF is prepared to respond at the direction of the President to deploy to SWA in contingencies which threaten our vital interests. While short-falls in strategic lift limit our ability to respond in a worst case or Soviet invasion scenario, the forces earmarked for the RDJTF are the best trained and most responsive fighting units at our disposal. Programmed improvement to strategic lift assets and composition of forces will, in the future, further enhance our ability to respond to a variety of contingencies in a timely manner with a reasonable assurance of success.

Question 19. What kinds of contingencies in the Middle East region is the RDF now prepared to deal with?

Answer. In general, the force would be prepared to respond to a spectrum of contingencies which could threaten our vital national interests in the area. A possible Soviet invasion of the region represents the primary focus of RDJTF contingency planning.

Question 20. Do you believe it should be prepared to deal with additional contingencies?

Answer. Southwest Asia is the specific area for which we have undertaken concentrated RDJTF planning. The forces earmarked, however, are prepared to respond to contingencies in other parts of the world.

Question 21. If the Soviets invaded Iran, would this Administration plan to use the RDF to fight the Soviets?

Answer. The primary focus of RDJTF contingency planning is to respond to a Soviet military threat to the Persian Gulf region.

Question 22. In such a hypothetical event, would you expect fighting to be confined to the region?

Answer. Recognizing that any conflict has the potential for escalation, all RDJTF contingency planning is directed toward confining the combat to the region.

Question 23. Could the United States effectively contest such Soviet action without resorting to nuclear weapons?

Answer. The United States has a range of options in responding to such a hypothetical situation. A major goal of this Administration is to further develop the flexibility and responsiveness of our conventional forces. The RDJTF is being strengthened to enhance our ability to meet the Soviet threat to the region.

Question 24. How do you view the question of balancing U.S. military aid to Turkey with military aid to Greece?

Answer. We are committed—as required by law—to design our security assistance programs to ensure that the balance of military strength among countries of the region is preserved. The Administration's FY 1983 proposed assistance levels for Greece and Turkey meet that requirement. It is long-standing U.S. policy not to condition assistance to one country on the level of assistance to another. A fixed, mechanistic ratio would not be in the interest of either country or of ourselves.

Question 25. Do you think the United States should take on any responsibilities to defend Greece against an attack from another NATO country?

Answer. Both Greece and Turkey are valued members of NATO and together take part in the defense of the Eastern Mediterranean, an area of immediate security concern for both nations and also vital for the security of the Alliance.

For geographic and strategic reasons, the security of both Greece and Turkey is enhanced by this partnership. Countries participate in the North Atlantic Alliance because they believe it is in their national security interest to do so. Full participation, we believe, is the best way to enjoy the full advantages of Alliance membership.

We continue to urge both nations to work to achieve a constructive and mutually beneficial relationship. We would view with concern any outbreak of violence in the region because it would be inimical to the long-term interests of Greece, Turkey, NATO and the United States.

Question 26. Is development assistance primarily a long-term tool, which should only be minimally affected by current politics, or a shorter term mechanism to assist friendly countries with more immediate needs?

Answers. Development is generally viewed as a long-term process, and thus development assistance does focus principally on long-term goals. However, it is the Administration's position that successful development is much more the result of appropriate host country economic policies than of outside assistance. Thus, we emphasize directing our assistance to those countries which have adopted or are undertaking policies which encourage free market approaches to development and support self-sustaining, broadly-based economic growth. As such, our assistance often takes into account, and has an impact upon, shorter term policy considerations.

Also, in terms of a country's needs, progress toward long-term development objectives and changes in overall policies can have a favorable impact on more immediate needs—such as increased local food production and rural incomes in areas of our project assistance.

Question 27. Almost 46 percent of our bilateral foreign assistance is targeted on the nations of the Near East, mainly Israel and Egypt. Do you believe this adequately reflects U.S. foreign policy priorities? What, if any, changes would you advocate with respect to our aid levels for Egypt and Israel?

Answer. Protection of U.S. interests in the Middle East remains a paramount objective of our foreign policy. Our assistance programs are major tools for promoting economic and political stability, supporting development efforts and demonstrating the U.S. commitment to the peace process. Our aid levels are consistent with our objectives in the area. While we recognize that the programs for Israel and Egypt claim a major share of our bilateral foreign assistance, we do not believe that judgments about levels and thus about the importance of critical policy goals, should be made on a comparative basis. Assistance levels are reviewed annually, and we will, of course, be considering what is an appropriate aid level for Israel and Egypt both in light of our interests in the region and the availability of funding.

Question 28. Aid often seems to be provided to countries which can point to a communist menace within or in bordering states. To what degree can and should eco-

nomic assistance be used as an offensive weapon against communist insurgencies or territorial threats?

Answer. Failure to achieve economic growth and establish stable political institutions makes developing countries more susceptible to political instability and internal subversion. We have several different kinds of economic assistance programs, each of which has its own special strengths. These programs, in general, seek to promote long term equitable growth by helping countries to develop more effective economic policies, by strengthening the indigenous private sectors in the development process, by strengthening institutional infrastructure, and by encouraging the diffusion of technology.

Economic assistance alone, however, cannot provide the means to protect a country against hostile external threats or domestic insurrection. That is why the Administration has proposed a blend of economic and security assistance. Programmed together, such assistance can help insure political and economic stability, and growth sufficient to allow our friends and allies to pursue their own development in peace.

Question 29. Since 1973 Congress has legislated a series of "new directions" in our bilateral development assistance. This mandate has focused on meeting the basic human needs of the poorest people in low-income countries. What are your views with respect to this approach?

Answer. I believe that our foreign assistance program is the best instrument we have to provide the generous support which Americans have traditionally displayed to the less fortunate. I believe there are a number of ways to carry out the basic human needs mandate. While foreign assistance should address the immediate problems of hunger, malnutrition, lack of employment opportunities, and the other problems affecting the less-developed countries, it is also imperative that our assistance marshall the greatest number of resources possible in support of our program.

Our foreign assistance program, therefore, should also emphasize host-country policies in order to remove impediments to self-sustaining, broadly-based economic development, and to ensure that the great technical advances for which the United States is known are made available to LDCs. It should aid LDCs to develop the institutions which will support economic growth, while at the same time, limiting the increase of burdensome governmental structures which can limit or dissipate this growth. Finally it should encourage United States and host country private sector involvement in the process of development.

I believe that by pursuing a balanced approach to our foreign assistance, in which both immediate needs and longer-term economic and policy concerns are addressed, the United States can effectively help meet the basic human needs concerns expressed by the Congress through the FAA legislation.

Question 30. How does the Peace Corps fit into overall U.S. overseas programs? Would you advocate a change in the current budget of $105 million (the fiscal year 1983 request is $95 million)?

Answer. The Peace Corps is working closely with this Administration to assure that its programs serve the overall foreign policy objectives of the United States. These programs play an important complementary role to our bilateral economic assistance programs. Peace Corps' small but highly visible programs are one of our most cost effective means for maintaining a visible U.S. presence in the poorest developing countries. In some cases, Peace Corps is the only U.S. presence in a country.

In the past year AID and the Peace Corps have worked together so that both programs would more effectively contribute to the President's foreign policy goals. Over 20 percent of the Peace Corps volunteers work in joint projects with AID. By next fiscal year we will have in operation more than 130 joint projects in 38 countries.

We want to assure that Peace Corps has an adequate budget to maintain a strong program which is supportive of our foreign policy objectives. I believe the fiscal year 1983 request is a reasonable one; I will be looking in the weeks ahead at the question of budget levels for fiscal year 1984.

Question 31. Are you familiar with Treasury's recent review of the multilateral development banks? How do you regard the banks in terms of furthering U.S. foreign policy objectives, both as regards the Third World, and with respect to other donors? Have your views changed on the value of these institutions?

Answer. The recent Assessment of U.S. Participation in the MDBs was an interagency effort, and I support the conclusions and recommendations of that study. These institutions contribute importantly to the development of a more secure and stable world through the promotion of steady economic growth. MDB assistance is an important complement to our bilateral assistance in many countries of strategic

importance to the U.S. The value we and other major donors place on the MDBs was highlighted recently at the Versailles Summit.

Question 32. The United States is behind on its commitments to IDA VI, but has indicated it will begin negotiations on IDA VII this fall. Other donors might possibly increase their relative contributions to IDA and other multilateral banks, but probably only at the price of reduced U.S. influence in those institutions. If the choice was between reduced U.S. influence or reduced multilateral assistance flows to the Third World, which would you choose?

Answer. The Administration has not suggested a reduction in multilateral assistance flows, so we do not believe we face a choice between U.S. influence and assistance levels. We do believe, however, that U.S. contributions to the concessional MDB windows should be reduced, at least in real terms, and that such assistance should be concentrated more on the neediest countries. It is conceivable that other donors may wish to support a larger IDA VII than the United States will wish to support, and therefore be willing to increase their relative shares. However, we expect the United States will continue to be the largest overall contributor to concessional windows, and thus I believe our influence will remain considerable. The difficulties we have experienced in funding IDA VI accentuate the importance of reaching agreement on a level for IDA VII which will have the broad support of the Congress. U.S. inability to meet our internationally negotiated commitments on a timely basis is inconsistent with the leadership role we wish to exercise in the MDBs.

Question 33. Under what conditions would U.S. sanctions on Libya be lifted?

Answer. We have made clear to the Libyan authorities through several channels that it is Libyan external activities, e.g. destabilization of other governments and involvement with international terrorism, that have so severely strained our relationship. The Libyan authorities have been informed that we are prepared to seek ways to improve this relationship, but only after a significant and lasting reversal of their illegal international behavior. Obviously, normalization of our economic relationship could be one means by which we could move towards a more normal relationship once Libyan behavior has changed.

Question 34. Could you give us your assessment of the effectiveness of such economic sanctions, both in the case of Libya and also as a general foreign policy tool?

Answer. The effectiveness economic sanctions varies greatly depending on the countries involved and the international economic situation at the time. In the specific case of Libya, we believe our sanctions have had an effect in the significantly reduced level of revenues Libya has been receiving. For a variety of reasons, including the world oil situation, hawkish pricing policies and U.S. sanctions, Libyan oil income this year may be no more than half of 1980 revenues. Libyan foreign reserves already have been drawn down by several billion dollars.

This in turn is presenting the Libyan Government with hard choices. If oil revenues do not increase dramatically, and if foreign reserves are not to be exhausted, Tripoli will have to choose among:

Continuing massive purchases of Soviet-made weapons (purchases far beyond Libya's self defense needs);

Continuing to fund, train and equip international terrorist and subversive groups; and

Devoting available resources to the economic and developmental needs of the Libyan people.

We have conflicting indicators as to which will be chosen. Obviously, we hope it will be the last.

Question 35. Horn of Africa—As part of its Rapid Deployment Force, the United States concluded a series of military facilities agreements with Somalia in August 1980. The Reagan Administration has endorsed the RDF concept and proposed increasing security assistance to Somalia to $55.5 million in fiscal year 1983. Meanwhile, Somalia continues to challenge Ethiopia for control of the Ogaden region, and there is concern that the United States could be drawn into the conflict in the Horn.

What is current U.S. policy toward the Horn of Africa and, specifically, how important are the Somali facilities at Berbera and Mogadishu to our security interests?

Answer. The Horn of Africa plays an important role in our strategy of protecting Western interests in Southwest Asia. U.S. access to Somali facilities is an important element in this security framework, supplementing U.S. access to other facilities in the region.

Question 36. As the United States becomes militarily more visible in the Horn, in what ways can the United States guard against being drawn into regional conflicts?

Answer. U.S. policy has been and remains avoiding entanglement in or actions which might exacerbate local conflicts. We have made it clear with the Somali Government that arms supplied to it are for defensive purposes only. We are encouraging rapprochement between Somalia and Kenya with a view to reducing long-standing regional tensions. We have significant security interests in the safety of our friends in or near the Horn of Africa and are prepared to take carefully considered actions to assist them and protect our interests if they are threatened.

Question 37. To what extent are our expanding security assistance programs in Africa tied to a country's good faith efforts to contribute to regional peace and stability? For example, will continued U.S. security assistance to Somalia be conditioned upon Somali pledges to refrain from committing regular troops to the Ogaden? Similarly, in Morocco, will new U.S. security assistance depend in any way upon King Hassan's willingness to seek a negotiated settlement in the Western Sahara?

Answer. According to U.S. law, equipment supplied under our security assistance programs may only be used for internal security; for legitimate self-defense; for participation in peacekeeping or other collective arrangements consistent with the Charter of the United Nations; or for construction of public works or other developmental activities. In the case of Somalia, Congressional approval of the provision of military assistance was conditioned on Somali avoidance of having regular forces present in the Ogaden. As for Morocco, we made clear the Administration's policy with regard to arms sales to Morocco in terms of the Western Sahara conflict in testimony last year before the House Subcommittee on Africa and International Security Affairs. I understand that the Administration stated, "we will continue to encourage Morocco to find and to explore ways towards a peaceful, negotiated settlement of the Western Saharan conflict. We will not, however, make decisions on military equipment sales to Morocco explicitly conditional on unilateral Moroccan attempts to show progress towards a peaceful negotiated settlement. This position recognizes the reality that there are players other than Morocco in the Western Saharan conflict with a capacity to influence the outcome." Since we made this statement on our arms sales policy, King Hassan has agreed to a ceasefire and a referendum of self-determination in the Western Sahara, and he has repeatedly expressed his readiness to cooperate fully with OAU toward these objectives. We believe that King Hassan's actions demonstrate his willingness to cooperate in a negotiated settlement of the Western Sahara conflict.

Question 38. What is the status of certification for Argentina and Chile at this time? Do you intend to move forward with these certifications? If not, why not?

Answer. The Administration continues to support repeal of the restrictions, We are reviewing all factors relevant to a determination on certification. We have no timetable on when the review process will be completed.

Question 39. Do you think the United States should lift sanctions against Argentina as the European Community and Japan have done? If not, why not?

Answer. The President terminated the economic sanctions against Argentina July 12. The military sanctions remain under review.

Question 40. Do you believe the Falklands/Malvinas crisis has jeopardized United States-Latin American relations in a serious way? What steps do you believe the United States should take to help improve relations with the hemisphere?

Answer. Although official and public reactions varied widely in different countries, U.S. support for the United Kingdom affected relations with a number of Latin American neighbors who back Argentina's claim to sovereignty. Some have charged that the United States is not a reliable friend of Latin America. We know this is not true, but need to demonstrate that in fact we are. Now is not a time for grandiose gestures, but for following through vigorously with the cooperative programs the President has laid out. The Caribbean Basin Initiative has become an early, crucial test of U.S. credibility, and we are counting on prompt, positive action by the Congress. In Argentina, we continue to have important interests and will move to restore our relations with that country in an orderly way.

Question 41. Nine members of this committee on June 17, 1982 submitted a letter to the Committee on Environment and Public Works urging that Committee to adopt amendments to the Clean Air Act which will achieve percentage reductions in emissions of acid rain precursors from sources in the eastern United States comparable to those pledged by Canada. What are your views on such amendments in light of Canada's serious concerns about its acid rain problems?

Answer. The problem of transboundary air pollution—acid rain—is an important and serious issue in United States-Canadian relations. The United States is according the matter a high priority. Pursuant to the Memorandum of Intent of August 1980, joint United States-Canadian Work Groups have assembled technical and scientific data on this problem. The work represents the leading effort in the world to

improve the state of knowledge and understanding on long range air pollution. It is testimony to the very high levels of cooperation that mark our relations with Canada.

As a result of the intensive efforts over the past 18 months, the United States has concluded that present scientific understanding of air pollution is incomplete in key areas of knowledge on transport and transformation of pollutants, and the relationship between emissions and pollutant deposition. This situation makes it extremely difficult to know what, if any, additional U.S. programs of controls to undertake and what results they might yield. These shortcomings are all the more significant because new programs of emission controls would be very costly, and would likely have significant effects in areas already suffering sever economic difficulty. To deal with these scientific uncertainties we are undertaking carefully focused new research programs and have invited Canadian cooperation in them.

Since the formal opening of negotiations with Canada on transboundary air pollution in June 1981, there have been four negotiating meetings, the latest on June 15. In February, Canada proposed a 50 percent reduction of sulfur dioxide emissions by both countries. In the June 15 negotiating session, U.S. representatives indicated we were unable to agree to such a proposal at this time, because of scientific uncertainty. It is the view of the Administration that Congressional action now to achieve similar reductions in emissions would also be premature. The Department will continue active negotiations with Canada to achieve mutually acceptable resolution of the acid rain problem.

Question 42. Do you believe the United States is living up to its commitment to Canada, as expressed in the August 5, 1980, Memorandum of Intent, in which the United States agreed to "take interim action . . . to combat transboundary air pollution"?

Answer. It is my belief the United States is fulfilling its commitment to Canada to take interim actions to combat transboundary air pollution.

Under the Clear Air Act of 1970, the United States is carrying out a comprehensive program of federal regulation and control of pollutant emissions. Controls in effect in the United States are second to none in the world today. On a per capita basis, the United States emits nearly a third less sulfur dioxide than does Canada. Sulfur dioxide emissions in the United States have been dropping since 1970, despite substantial increases in electric power generation and industrial activity.

At the four negotiating sessions with Canada thus far, portions of the meetings have been devoted to discussions of each countries' actions under the "interim actions" provision of the Memorandum of Intent. Both sides have tabled a series of explanatory papers. Special procedures have been adopted to assure timely notification of regulatory and other decisions which might relate to the negotiations. As Canadian questions have been raised on regulatory questions, the United States has made every effort to furnish prompt and full explanations.

Question 43. Do you believe that further delays by the United States in moving to deal effectively with the acid rain problem could bring about a serious deterioration in our bilateral relations with Canada?

Answer. The United States is making concerted and active efforts to respond to Canadian concerns over acid rain. Our accomplishments in the Work Groups and the negotiations are evidence of this. I personally favor moving the negotiations ahead. I hope we will be able to reach agreement with Canada on acid rain.

The United States-Canada relationship is extremely broad and varied. We work closely together on issues all around the world, in addition to cooperating closely in solving bilateral issues, including environmental problems. From time to time we do have differences. While we do not fully agree with Canada on all matters relating to transboundary air pollution, the issue is not causing problems in other areas of relations. I am confident we can work with Canada, as the President has said, to understand and solve this problem.

Question 44. Do you believe that further delays by the United States in moving to deal effectively with the acid rain problem could bring about a serious deterioration in our bilateral relations with Canada?

Answer. The United States is making concerted and active efforts to respond to Canadian concerns over acid rain. Our accomplishments in the Work Groups and the negotiations are evidence of this. We favor moving the negotiations ahead as fast as possible. We look forward to a further negotiating session in the fall.

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tions. I am confident we can work with Canada, as the President has said, to understand and solve this problem.

Question 45. Is "reciprocity" an appropriate concept to use in assessing the fairness of United States-Canadian economic relations? If so, is the test of reciprocity met?

Answer. Reciprocity, broadly defined as an equitable overall balance of benefits, has traditionally been an objective of U.S. trade policy. We recognize that no trade relationship is perfect, and that in many cases we have additional work to do in order to improve the access which our firms and investors have to foreign markets.

Canada and the United States are each other's major trading partners. Our two-way trade amounted to more than $87 billion in 1981. Considering the scope of our trade relations, we have relatively few serious trade problems. However, there are issues, particularly in the area of investment policy, where we disagree. Because we have been unable to reach agreement on these policies in bilateral discussions, we are pressing the issue under the General Agreement on Tariffs and Trade. We intend to continue to work with the Canadian Government and through the GATT to resolve these problems and to improve the access which our investors and firms enjoy in Canada.

Overall, the United States-Canadian trading relationship is strong and healthy. In this context, we will continue to work with the Canadians both bilaterally and multilaterally, to resolve our outstanding problems and to further strengthen our ties.

Question 46. There are a number of sectors in which it would appear that Canada does not provide market access (trade and investment opportunities) for U.S. citizens equivalent to that afforded to Canadians in the United States. Trucking is one example. What should the United States do about this apparent lack of "reciprocity" on the part of Canada?

Answer. The United States and Canada are one another's largest trading and investment partners. U.S. subsidies play a significant role in Canadian industry and the United States provides about 70 percent of Canadian imports. There are some sections, however, where United States and Canadian approaches to market access differ.

Canada, for example, screens new foreign investment under the terms of the Foreign Investment Review Act to determine whether the proposed investment is of significant benefit to Canada. We have had problems with some aspects of FIRA for U.S. investors. We are engaged in continuing bilateral discussions to press Canada to make changes in the aspects of FIRA which are troubling to us. Some changes to accommodate our concerns have been made, but more needs to be done. We have filed a case in the GATT, challenging the trade distorting aspects of the FIRA scheme.

On trucking the basic problem stems from differences in approach to licensing. While the United States has moved toward a deregulated system, Canada's system remains basically a regulated one administered by the individual provinces.

The ICC has been investigating the trucking problems and interagency discussions are continuing directly with Canadian authorities on the question.

Question 47. Several bills and treaties are before the Senate concerning many different aspects of United States-Canadian economic relations. Do you think the Administration has a comprehensive view of these various legislative proposals? What should be the Administration's legislative strategy on Canadian-United States issues?

Answer. There are a number of bills, for example, on border broadcasting, trucking trade and in the tax treaty, before the Senate for consideration. The Administration has been following the progress of these measures with particular attention and is continuing to work as closely as possible with Committee members and staffs to shape proposed legislation. A general principle on legislatiave strategy should be to maintain and improve the long-term, comprehensive, and close economic relationships we have had with Canada and to intensify our discussions on particular issues which have emerged as a result of tendencies toward economic nationalism and trade protection.

Question 48. In light of Mrs. Gandhi's impending visit, how would you assess the current state of United States-Indian relations?

Answer. India and the United States are important to one another. India's size, military power, industrial muscle and stable democratic political system enable it to affect significantly U.S. regional security interests, especially in Pakistan and Afghanistan. We are India's principal trading partner and a source of much of the wherewithal India requires to sustain development of its increasingly sophisticated economy.

We believe that India shares our recognition of the importance each country has for the other. While we have sometimes had different points of views on certain global and regional issues such as our security relationship with Pakistan, both countries recognize the value of collaboration in areas of mutual interest.

Question 49. What are the principal objectives of the visit from the American point of view?

Answer. The Administration wants to bring about greater Indian recognition that there can be significant benefits to them from a more forthcoming approach toward the United States. We will want to tell Mrs. Ghandi that the United States recognizes the importance of democratic India and that we desire to expand the extensive long-term basis for such collaboration in a number of fields including trade, technology transfer, and agriculture. We look forward to an exchange of views on a number of global and regional issues. In this regard, we want to reiterate our earlier assurances that U.S. military aid to Pakistan is not directed against India.

Question 50. What are the principal bilateral issues to be discussed during the visit?

Answer. The Administration expects to discuss a variety of regional issues, including, for example; the Soviet occupation of Afghanistan, U.S. security assistance to Pakistan and India's own relations with that country, India's effort to improve relations with China, and the Iran-Iraq war. India will be interested in discussing ways in which the United States might be helpful to its development efforts.

Question 51. What steps is the Administration taking to communicate Congressional concerns about the current state of civil liberties to the Pakistan Government?

Answer. This administration has actively expressed its concerns about the restrictions on civil liberties in Pakistan in a number of forums, both public and private. Our discussions with senior Pakistani officials have made clear our concern that the human rights situation could undermine United States-Pakistani relations. In a number of contacts, including a widely acclaimed speech in Karachi, Ambassador Spiers has addressed U.S. human rights concerns, including the U.S. preference for working with democratic representative governments.

Question 52. What prospects do you see for avoiding a nuclear arms race on the Indian subcontinent? What policies should the U.S. follow to avoid such an arms race?

Answer. We believe that the assistance we provide Pakistan gives that country a greater sense of security and thus reduces its incentive to develop a nuclear explosives capability. Since India's nuclear policies are based in significant part on what it perceives Pakistan's intentions to be, we see our aid to Pakistan as a means of allaying Indian concerns about the Pakistan nuclear program.

We also believe that better understanding between India and Pakistan will reduce the likelihood of a nuclear arms race in South Asia. We therefore have supported discussions between India and Pakistan on measures which might be taken to strengthen their bilateral relations. The next round of talks will be in August. The United States remains in close touch with both the Indian and Pakistani Governments about our non-proliferation concerns.

Question 53. Do you see any prospects for a diplomatic solution to the Afghanistan crisis? What steps can the United States take to promote a Soviet withdrawal?

Answer. Although an embryonic negotiating process involving Afghanistan and Pakistan has been initiated under the aegis of the U.N., we see no indications that an early negotiated Afghanistan settlement is in sight. The United States has supported the European Community and other initiatives aimed at solving the Afghan problem. In our normal contacts with the Soviets, we make clear the U.S. conviction, which is shared by most of the international community, that the sine qua non for an Afghanistan settlement is Soviet troop withdrawal.

Question 54. The Israeli economy is facing great difficulties stemming from a variety of problems including costs caused by their withdrawal from Sinai and the recent incursion into Lebanon. What are the most effective measures we can undertake to assist Israel to deal with its long-term economic difficulties?

Answer. As I have indicated elsewhere bringing about a stable and lasting peace in the Middle East would be the most beneficial single step which could be taken as far as the economies of area states—especially Israel—are concerned. The U.S. Government has provided in the past and continues to provide economic and military assistance to Israel. Over the past five years this aid has averaged $2.2 billion per annum. In Fiscal year 1983, if Congress approves the President's proposal, this sum will approach $2.5 billion. In addition, over the past four years we have given Israel $3.2 billion to cover the costs of the Sinai withdrawal. In each of the last four years, we have forgiven $0.5 billion in Israeli FMS loans. This year we forgave $550 mil-

lion. We maintain a close dialogue with the Israelis on their economic needs and on the steps we both can take to meet those needs.

Question 55. What has the Administration done this year to deflect Pakistan from nuclear weapons? What has been Pakistan's response? What further needs to be done? Do you intend to be tough with the Pakistanis?

Answer. The United States stays in very close touch with the Pakistan Government about the firmness of our commitment to non-proliferation. We have emphasized the serious consequences for United States-Pakistan bilateral relations which would inevitably flow from a Pakistani nuclear explosion or violation of international safeguards. Pakistan insists that its nuclear program is directed toward peaceful ends.

Question 56. What nations do you see as prime proliferation risks?

Answer. I would prefer not, in open session, to list by name those countries which we regard as proliferation risks. In assessing the degree to which a country is a proliferation risk we include such factors as whether or not the country in question is a party to the Nuclear Non-Proliferation Treaty, the state of its nuclear technology, the extent of its unsafeguarded nuclear facilities, if any, and its potential motivation for acquiring nuclear explosives.

Question 57. What priority do you intend to give nuclear proliferation?

Answer. It is my firm view that one of the most critical challenges facing the United States is that of preventing the spread of nuclear explosives. If we are not successful in this endeavor, the result will be threatened international peace and regional instability. Further nuclear proliferation would also directly jeopardize U.S. security interests. For all of these reasons, I believe that the nuclear proliferation issue should be very high on the foreign policy agenda of the United States and, if I am confirmed as Secretary, it will be.

Question 58. There has been recent press speculation that Argentina's defeat in the Falklands could increase that nation's interest in acquiring a nuclear explosive capability.

What is your own assessment of Argentina's interest in developing nuclear explosives?

Answer. Argentina has repeatedly declared that it has no intention of developing nuclear weapons, and that while it reserves its sovereign right to develop nuclear explosives for peaceful purposes, it is not now doing this and has no present intention to do so. We have no reason to question these declarations or to believe that Argentina is presently developing nuclear explosives. It is, however, developing indigeneous nuclear facilities without IAEA safeguards. These activities eventually would permit Argentina to produce nuclear materials useable in nuclear explosives in significant quantities without any commitment not to use them in this manner.

Question 59. What exactly do you intend to do to discourage such activities?

Answer. The principal point of Argentina's effort is to develop capabilities that would enable it to produce significant quantities of unsafeguarded nuclear material without dependence upon foreign supply. These programs, therefore, cannot be directly stopped by another country. We are making efforts, as in all cases, to assure that nuclear material, equipment and technology supplied by other countries to Argentina are covered by IAEA safeguards. We are continuing our general effort to gain agreement by nuclear supplier states to require that recipient countries maintain IAEA safeguards on all their nuclear activities as a condition of significant new supply commitments. Most importantly, we will continue to seek Argentina's cooperation in international non-proliferation matters, including its adherence to the Treaty of Tlatelolco.

STATE DEPARTMENT'S RESPONSES TO ADDITIONAL QUESTIONS SUBMITTED BY SENATOR HELMS

Question 1. What specific institutional means does the State Department have, or plan, to carry out the mandate stated by the President?

Answer. Today the means which the Department has to carry out the President's policy are admittedly limited. What the President has proposed is a political offensive which involves a variety of capabilities to conduct political action. As currently constituted the Department is organized mostly to undertake actions that are more reactive, defensive and damage-limiting: this is the necessary fare of traditional diplomacy. Nevertheless, we do have some institutional capability to take the offensive.

Principally, Under Secretary Eagleburger has a small staff of political action officers whose primary responsibility is focused as much on foreign publics as on for-

eign governments. This staff is devoted to a large extent to guiding U.S. policy in the international "battle of ideas" and to developing creative strategies and political initiatives in support of freedom and democracy in the world.

This office has also been responsible for working on a proposal which we will be presenting soon to the Congress for a major modernization plan for our chief means of international mass communication: the Voice of America and Radio Free Europe/Radio Liberty. As the principal vehicles for the flow of information and ideas to the communist world, these radios serve as indispensable tools in our effort to support the processes of democratic institution-building in those totalitarian lands.

In a similar vein, this core group has been working with the ICA in its informational, educational and exchange activities which can be directed increasingly in the direction which President Reagan has charted.

Question 2. Do you agree that this dimension of foreign policy—an ultimate goal for all our day-to-day operations—should be emphasized?

Answer. Yes, I agree very strongly that we should never lose sight of an ultimate goal for our foreign policy. The goal that the President enunciated is that of a free and democratic world whose states enjoy free elections, free press, free trade unions, free enterprise and other free institutions. Unless we keep our sights on this goal, our policy will become, quite literally, aimless and devoid of any strategy. The very act of articulating and putting forth an ultimate objective offers the world's peoples a positive vision to which they can aspire and which can give them hope for a better life. To supply such hope is the key to successful politics be they domestic or international.

Question 3. What specific steps do you think the United States can take to encourage the development of free and democratic institutions in those parts of the world where they are not now allowed to flourish?

Answer. There are a variety of steps we can take to encourage the development of free and democratic institutions abroad. We have pursued some of these in the past, such as support of free elections in El Salvador, and will continue to do so where possible in the future. Our tradition of offering such support is powerful testimony that merely providing an example of the world is not enough. If we do not act to support democratic forces, and act with a sense of moral purpose, we cede the field of political action to those who would act to destroy democracy rather than build it; we would remain solely in a defensive position, where the only direction in which we could move is retreat. If we fail to act, we will neither win the support of our people nor convince the rest of the world that our leadership is guided by a vision of a better world.

Today we are considering a wide variety of steps we can take on a systematic basis that would serve these purposes. The President has joined the two political parties, the AFL–CIO, the Chamber of Commerce and others in launching a major study of how we can best aid the democratic institution building processes abroad (including the communist world). We shall be looking at how various organizations both here and abroad (such as the German political party foundations) support democratic forces and institutions and what needs to be done to strengthen and/or create American capabilities in this field.

As a general rule, I believe that a variety of steps are open to us: the distribution of democratic literature abroad, the broadcasting of democratic ideas to people denied access to them, educational programs and exchanges with emphasis on the ideas of the democratic revolution, organizational and other forms of concrete aid to democratic forces struggling for freedom, and increased cooperation with various private organizations in their efforts to build and support democratic institutions abroad. We shall continue to speak out in support of democracy and adapt our foreign policies wherever possible and prudent to bolster our words with concrete actions.

Question 4. How far in advance did our intelligence know about the impending Argentine occupation of the islands?

Answer. The crisis in the South Atlantic began with the incident of the landing of a party of Argentine workmen on South Georgia island on March 19. There was a steady concern that failure to resolve the status of the working party to the satisfaction of both the United Kingdom and the Argentines might escalate into a naval confrontation in the area. There were no definitive indications of a possible invasion of the Falkland Islands until March 31, when the British were prompted to call for the emergency session of the Security Council the following day and the U.S. Government to step up its efforts to prevent military action.

Question 5. When was the Secretary of State told? President Reagan?

Answer. The Secretary of State was apprised of developments as they occurred and the President was kept informed. Our concerted efforts to obtain Argentine as-

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surances that they would not take military action continued through the President's telephone call to President Galtieri, April 1.

Question 6. When did the British first ask us for help? When did we first give commitment for help—before or after the mediation effort by Secretary Haig ended?

Answer. Shortly after the invasion of the Falklands by Argentina, and before then Secretary Haig left on the first leg of his shuttle, the British asked for and received a commitment of fuel on Ascension Island in conformity with the 1962 US/UK agreement governing our access to Wideawake Airfield.

Question 7. Clearly, there is much detail which you do not now have at your fingertips: but will you agree to come and brief the Committee on the mediation efforts of your predecessor? Specifically, while many publicly blame the Argentines for the breakdown of the mediation, reports have emerged that Secretary Haig was shown no fewer than five different peace proposals by the Argentines, proposals which he refused to relay to the British. How soon would you be willing to discuss these and other related questions with the Committee?

Answer. At the present time I am not in a position to comment on the reports referred to in the question. The Department of State will, of course, be willing to provide witnesses to brief the Committee at an appropriate time.

Question 8. Secretary Haig was invited no fewer than five times to come to the Subcommittee on the Western Hemisphere and discuss the critical nature of the Kennedy-Khrushchev accords, which are so central to our relations with the Caribbean and Latin America. The Secretary never found the time to come and discuss this with us, which I found to be unfortunate. Will you give us a commitment that you will do so, once you are settled in, and do so, say, by the end of September?

Answer. I would be happy to brief you and other Committee members on the 1962 Understanding. We can work out the timing when I have a better idea of what lies ahead.

Question 9. Do you think the United States should impose socialist economic programs on other countries as a prerequisite for U.S. aid?

Answer. No. I am not in favor of imposing socialist economic programs in El Salvador nor in any other country as a prerequisite for U.S. aid. I believe that private entrepreneurs operating within the context of a free market system provide a crucial stimulus for economic growth and democracy within both developing and developed nations. Within this framework, I understand the Salvadoran Government's compensated land reform program as an effort to allow greater numbers of Salvadoran farmers to participate in the private ownership and/or self-management of farms. Private ownership and/or self-management expands access to the free market on the part of many formerly landless farmers with meager capital and is a formidable barrier against communism. At the same time, I recognize that the Salvadoran agrarian reforms must be implemented in a manner least disruptive to the Salvadoran economy.

Question 10. As an economist well acquainted with the shortcomings of socialist structures, how do you plan to approach the situation in El Salvador, where the banks, the export industry, and the best farms have been nationalized?

Answer. I believe that El Salvador, as well as other countries in Central America, has suffered from excessive government control of the economy and that all the countries in Central America would benefit from general liberalization. This Administration's Caribbean Basin Initiative is aimed at fostering private sector development in Central America and the Caribbean by creating new incentives for investment and for adoption of sound economic polices. I define sound policies there as moves toward openness, toward efficient and free capital money and foreign exchange markets, and in general, policies that move countries toward diversified export economies.

Question 11. You were Secretary of the Treasury during the period the United States unilaterally broke the commitments related to the Bretton Woods international monetary system. Since that time, the experiment with floating exchange rates has been called by some economists, a failure. Before the Versailles Summit, the French Minister of Finance called for a resurrection of the Bretton Woods system and I would like to get your reaction to that suggestion. As you may know, I believe that the discipline of a gold standard has some attraction.

Answer. First, let me make clear that I was not the Secretary of the Treasury when the United States closed the gold window in August 1971, and thus ended the Bretton Woods fixed exchange rate system based on a gold exchange standard. That occurred during Secretary Connally's tenure. I was at Treasury during the second U.S. devaluation in 1973. Second, and more importantly, I do not agree that the system of floating rates has been a failure. In fact, I believe floating rates helped us better weather the drastic increase in payments imbalances caused by the first and

second oil price shocks. It is doubtful that the fixed rate system would have had the resiliency to survive the 1970's. In a world in which nations have such variance in economic policies and performances, fixed exchange rate systems are costly, impractical, and in fact are not really fixed. When economic fundamentals diverge the record is clear that exchange rates cannot be held, no matter how massive is official intervention. The way to bring about stable exchange rates is for economic policies to be coordinated and thus for economic performance to converge. We and our allies are working on that.

Question 12. American international economic policy has been called the last bastion of orthodox Keynesianism. I understand that to mean that State Department economists, through various agencies, advocate policies for our friends and allies that the United States has rejected. I am particularly thinking of incomes policies, various demand management strategies, high progressive tax rates and other policies that are of dubious value. As a trained—and a respected—economist, you would be in a unique position to change some of those practices. What would you do?

Answer. This Administration, has continually argued for the same policies abroad as we follow there at home: steady and restrictive monetary growth to squeeze out inflationary tendencies and expectations; reducing public sector expenditures in order to reduce budget deficits and thus divert financial and other resources to their more productive use in the private sector; freeing up the private sector to let its dynamism lead our economic recovery and stabilization. I will continue to advocate that policy at the Department of State and in an international context.

Question 13. I, along with several other Senators, have become increasingly disturbed by the continued and agressive use of export subsidies by the European Community. These subsidies result in displacement of United States and other exporting nations' agricultural sales in third country markets.

One, how serious do you consider this problem to be for American agriculture? and two, what do you perceive the prospects to be for any near-term resolution of this problem?

Answer. The United States recognizes the EC's right to decide its own internal agricultural policies, and we understand the social and political constraints within which the EC must operate. However, through export subsidies, the EC's internal policies have a strong effect on the world market, to the detriment to the United States and other unsubsidized exporters. Clearly this does pose a serious problem for U.S. agriculture. High on our trade priorities must be protecting our access to the EC market while seeking to improve the climate for U.S. exports to third markets. We have a substantial stake in our trade with the EC—our agricultural exports will approach $9 billion this year, and our agricultural trade surplus will be about $6.5 billion.

The probability is low that we will be able to achieve a complete resolution of our agricultural trade problems with the EC in the near-term. These problems reflect underlying social and structural conditions which cannot be altered overnight. However, I believe we can make progress in the agricultural sphere. Together with USDA and USTRA, the State Department will continue to defend U.S. agricultural trade interests in the future, while we pursue solutions to the problems of EC export subsidies.

Question 14. Will the Department of State under your leadership provide the necessary support to the Secretary of Agriculture and the U.S. Trade Representative in their efforts to reduce trade barriers to our agricultural exports in Japan and other nations?

Answer. In a March 22, 1982 address to agriculture editors, President Reagan stressed the need to free world markets of trade barriers and unfair trade practices. He noted that world economic health will be improved and strengthened by freer agricultural trade. I support the President's efforts to liberalize world agricultural trade and expect to work closely with both the Secretary of Agriculture and the U.S. Trade Representative in carrying out the President's policies.

Question 15. In the event that the President might be forced to invoke an embargo on U.S. exports to the Soviet Union or other countries under the authority provided in the Export Administration Act, what is your assessment of the degree of cooperation that the United States could expect from our trading partners?

Answer. An event of sufficient gravity to force the United States to invoke an embargo on exports to the Soviet Union or other countries may—or may not—be construed by our principal trading partners as of sufficient gravity to warrant parallel action.

However, other countries are generally more reluctant than the United States to use export controls to further political objectives. For example, in situations where the interests of other nations are less directly affected than are U.S. interests, as in

North Korea, Vietnam, Kampuchea, Cuba, and Libya, our trading partners are not participating in our embargoes. On the other hand, if the USSR were to engage in overt military hostilities in Poland, it is highly probable that our Allies would join us in broader trade controls than they feel are warranted under present circumstances.

Question 16. With regard to the independence process in South West Africa (Namibia), do you feel that it is essential for the Cubans to first withdraw from Angola, prior to any final settlement in Namibia?

Answer. We do not believe it is useful or practical to establish preconditions either for a Namibia settlement or for peace in Angola. However, we do feel that, in the interests of regional stability and the viability of a Namibia settlement, Cuban combat forces must leave Angola parallel to the departure of South African forces from Namibia, as called for in the settlement plan.

Question 17. There is a large North Korean presence in Zimbabwe. These military forces are providing military instruction to Mugabe's army. Do you believe that any U.S. aid should be conditioned on the removal of these North Korean forces from Zimbabwe?

Answer. Noth Korea has a small military assistance advisory mission attached to one element of the Zimbabwean army. The British play the predominant role in training and equipping the Zimbabwean armed forces and the preponderance of its assistance, continues to come from the West.

U.S. economic assistance to Zimbabwe was predicated on that country's urgent desire to rebuild a war-ravaged society and Prime Minister Mugabe's pragmatic approach to Zimbabwe's reconstruction efforts.

Pragmatism, a tone of reconciliation and sound development strategies are still evident in Zimbabwe.

The North Koreans have a long standing relationship to Zimbabwe's ruling party owing to North Korea's willingness to provide assistance during the pre-independence struggle.

To condition continued economic assistance to Zimbabwe upon that country's willingness to reject aid from another source would not be sound policy and would work directly counter to basic U.S. interests in southern Africa. Moreover, to accept assistance from a variety of sources is consistent with Mugabe's non-aligned posture.

Question 18. The Marxist MPLA government took over Angola in 1975. At that time there was an agreement between the three political groups contesting for power—the MPLA, the FNLA, and finally the UNITA, which is led by Dr. Savimbi. This agreement, which was called the Alvor Accord, called for free elections. But after the Communists seized power, there have been no free elections. The Cuban expeditionary force sees to that. Do you not think that the United States should insist upon free elections as a pre-condition to a political settlement in Angola?

Answer. The Administration believes that reconciliation is an Angolan problem which must be worked out by the Angolans themselves without interference. The substance and the modalities are for the Angolan parites to work out. We have made clear to the ruling MPLA government in Luanda that we believe there cannot be long-term peace and stability in Angola, and more generally southern Africa, unless progress is made towards national reconciliation. This view is held by other Angolan parties. UNITA leader Jonas Savimbi has publicly stated that he supports our efforts to achieve peace in southern Africa and that he is prepared to enter into discussions with the MPLA without preconditions. It is also our strongly held view that there must be a Cuban troop withdrawal from Angola so that Angola and the region at large can deal with its future without foreign interference.

Question 19. Throughout his polictical career, President Reagan has stood steadfast in his determination that the United States will not sell Taiwan down the river. Is that your understanding of the President's personal position regarding Taiwan?

Answer. President Reagan as you know has a long-standing personal friendship for the people of Taiwan. He is deeply committed to the maintenance of an unofficial people-to-people relationship, and is also deeply concerned for the continued well being of the people of Taiwan.

Question 20. In formulating the Taiwan Relations Act, the Congress specifically required advance consultation prior to any decisions regarding the supply of weaponry to Taiwan. The Taiwan Relations Act also required prior consultation regarding any decision not to provide Taiwan with the weapons it may need for its national defense. Do you intend to provide the Congress with adequate and advance consultation prior to any decisions that might be made which affect Taiwan's national security?

Answer. I certainly intend to provide the Congress with adequate and advanced consultation prior to any decisions in this area.

Question 21. There are some who feel that this Administration is allowing Peking to dictate our policies regarding Taiwan. Will you allow Peking to dictate our policies toward Taiwan? To what extent will Peking's desires and concerns influence your decisionmaking regarding Peking?

Answer. I believe that U.S. policies on any issue must be decided by the United States and in the light of U.S. interests as we, not some other country, sees those interests.

Question 22. When will the Administration announce the continuation of co-production of the F-5E aircraft for Taiwan?

Answer. This is a matter which has not yet been formally decided. We expect, however, to implement the actions envisaged in the President's early January decision in a timely manner.

Question 23. There is a story around town that if the United States announces the sales of weapons to Taiwan, Peking will "withdraw" its Ambassador. I understand that Peking's Ambassador is already due to rotate back to Peking as a matter of course; his tour being over. If Peking does "withdraw" its Ambassador, or choose to rotate him back to Peking without sending a new Ambassador, what steps, if any, would you take?

Answer. That is a very difficult question to answer, Senator, based on an assumption of a downgrading of relations with the PRC. I would hope that the present course of action the Reagan Administration is pursuing would be successful in avoiding such a downgrading. If the PRC does choose to remove its Ambassador, our response would have to take into consideration the circumstances at that time.

Question 24. What are our long-term policy goals in Asia with regard to Peking? With regard to Taiwan? Where would you like for America to be in relation to these two nations twenty years from now?

Answer. We seek to build a long-term relationship with China based on a common strategic interest in deterring Soviet aggression and a broad network of friendly cultural and economic ties between our peoples. Twenty years from now we will be in a new century, in which China's power, in absolute terms, will be far greater than today. It is essential that we find means to build a strong, durable foundation for a good relationship. In broad strategic terms, we face a common challenge from the Soviet Union. A secure and modernizing China will be better able to deal with that challenge. We intend to pursue policies which will strengthen the leadership's commitment to modernization.

I believe that the coming years will see the development of a still deeper and more extensive relationship between the U.S. and the People's Republic of China. With the help of the Congress and other parts of the Administration, we can forge a lasting relationship that will be of great mutual benefit to our peoples and avoid a recurrence of the tragic hostility that marked our relations in the 1950's and 1960's.

With regard to our relationship to Taiwan, I believe that we will see further development of the cordial and friendly unofficial relations between our two peoples. Those relationships will continue to expand in the cultural, economic and social fields based on our long historical associations. We would, of course, hope to see further progress toward the resolution of the situation between Taiwan and the People's Republic of China, but that is a matter for the Chinese people themselves to resolve. We must stand by our commitment to Taiwan that any resolution will be by peaceful means and be willing to sell defensive arms to the extent we deem necessary.

Question 25. What steps do you believe are necessary to strengthen a free Asia and free Pacific basin region against Communist expansion?

Answer. The security of Asia and the Pacific is dependent upon concurrent, integrated actions in the military, political and economic spheres.

First, the military posture of the United States, its allies and its friends must be strengthened. New, encouraging efforts have in fact been undertaken and were outlined by Under Secretary of Defense Ikle and Acting Secretary of State Stoessel in their June 10 testimony before this committee. We wish to see these go forward.

Equally important, the economic growth which has made Asia our most important trading partner and which supports these military modernization programs must continue. The United States., Japan and our ANZUS allies have through assistance programs and trade contributed greatly to the remarkably rapid growth of the less developed countries in the region. These efforts should be continued and augmented when possible. It is also important that our trade problems be worked out in a cooperative manner because a common dedication to the world market economy is at the heart of our Asian and Pacific relationships.

Finally, the close cooperation and determination our Asian and Pacific friends have displayed in responding to the Soviet invasion of Afghanistan, the Vietnamese

occupation of Kampuchea and other threats to peace has given them a potent voice in international arenas. I will work to preserve and enhance this cooperation.

Question 26. Do you believe that the United States should encourage countries such as Taiwan, South Korea and Japan to work towards a common defense posture in light of Communist expansion in the region?

Answer. Although we believe that all our friends should be concerned by Soviet military expansion and work in concert to meet this threat, we could not suggest a common defense posture for the three parties mentioned because of varying geographical positions, differences in their perceived threats and important political factors. The Republic of Korea, for example, is wisely focussing its attention on narrowing the broad gap between its forces and those of North Korea, which is the principal threat. Japan is wisely focusing on protection of its islands and neighboring sea lanes. Since Japan does not wish to see a Korean Peninsula dominated by Communist North Korea and since South Korea is also dependent on the sea lanes Japan wishes to protect, their chosen roles are highly complementary. I believe, however, that neither would wish to characterize this as a common defense posture. Japan's recognition of the People's Republic of China as the sole Government of China as well as constitutional restrictions rule out a defense relationship of this nature with Taiwan.

Question 27. Do you believe that the United States should strongly encourage the on-going development in the military-security field that the ASEAN group is undertaking?

Answer. ASEAN members are careful to point out that military cooperation is not a function of ASEAN. ASEAN members do cooperate with each other on security matters on a bilateral basis. We strongly support such cooperation. In addition, we have bilateral security assistance programs with these countries which meet their own security needs and contribute to peace in the region as a whole.

STATE DEPARTMENT'S RESPONSES TO ADDITIONAL QUESTIONS SUBMITTED BY SENATOR BOSCHWITZ

Question 1. What is your view of the Camp David Agreements? Does Camp David remain the basis for movement toward peace, or are you in favor of another approach?

Answer. The Camp David Framework agreement remains the only agreed basis for movement toward peace in the Middle East. It is on this basis and in this context that we intend to pursue the negotiations called for in the Framework agreement. I do not favor any other approach.

Question 2. Please give your view of the Fahd Plan. Is it possible to reconcile the Fahd Plan with Camp David?

Answer. The Fahd Plan was an effort to bring the Arab world and the Palestinians closer to the concept of a negotiated settlement of the Arab-Israel and Palestinian problems. It is our objective to reconcile the Arab and Palestinian positions with our approach to the peace process, but it is the Camp David Framework agreement which must remain the basis for this effort. The problem with the Fahd Plan is that it states conclusions which cannot be dicated. Whatever conclusions are ultimately reached must come out of the process of negotiation.

Question 3. The President has pledged that Jerusalem will remain "one city, undivided." Do you support the view that any peace plan must preserve the unity of Jerusalem, or do you believe that this should be an open question?

Answer. I fully share the President's view that the city of Jerusalem should never again be divided. The internationally recognized status of Jerusalem, however, must be the subject of negotiations in the final status negotiations envisioned in the Camp David Framework Agreement.

Question 4. Saudi Arabia objects to the build-up of the Strategic Petroleum Reserve. Do you believe that we should continue to build up this reserve in spite of this objection?

Answer. It is my understanding that several years ago when Saudi Arabia was producing oil above its preferred levels in order to relieve pressure on oil prices, the Saudi Government felt that stockpiling efforts by consumer governments were working against its own attempt to stabilize the market. There have been no recent objections from the Saudis or other oil producers to the development of strategic reserves by the United States and other consuming countries. The development of an adequate Strategic Petroleum Reserve is a key element of U.S. energy security policy. It is important to our ability to assist in maintaining orderly international

oil markets and in having some protection from the oil market impact of political developments abroad.

Question 5. The President has made a commitment to preserve Israel's margin of qualitative superiority to offset the quantitative superiority of the Arabs. Do you share this commitment?

Answer. Yes. I fully share the President's commitment to help maintain Israel's technological and qualitative advantages in the region. We are also mindful of Israel's quantitative concerns.

Question 6. Some critics of U.S. policy advocate a reduction or suspension of support and arms sales to Israel. Do you believe the United States should threaten to do this? Do you believe such threats would be successful in bringing about changes?

Answer. While they may appear to have some short-term advantages, pressure and threats are not in my mind the best way to bring about stable and lasting solutions to long-term problems.

Question 7. Do you intend to appoint a special negotiator for the Middle East?

Answer. I have not yet focused on the question of how we will organize our efforts to pursue the negotiations under the Camp David Framework Agreement. At present, I have the able assistance of Ambassador Fairbanks and his staff and I have no immediate plans for changing this arrangement.

STATE DEPARTMENT'S RESPONSES TO ADDITIONAL QUESTIONS SUBMITTED BY SENATOR GOLDWATER

Question 1. For over 1 year, the State Department delayed the approval of the coproduction in Taiwan of the small Garrett TFE–1042 aircraft engine.

Will you seek to break through the red tape and allow an early and favorable decision to be made on this program?

Answer. This is a complicated issue on which I will want to be fully briefed before making a decision. I will be reviewing the question at an early date. I can assure you that the red tape will be cut and we hope to have a favorable decision for you soon.

Question 2. On June 1, a State Department official revealed that the United States is conducting discussions with Communist China on an agreement of nuclear cooperation that will assist the PRC in developing its nuclear power program. So long as Red China refuses to join the International Atomic Energy Agency or to abide by its safeguards and fails to sign the Nuclear Nonproliferation Treaty, do you believe it is wise or appropriate for our country to provide nuclear materials or hardware to the PRC?

Answer. This is a complex issue which I will be reviewing very carefully. No final decision about how to proceed has been made. Obviously, there are potential economic and political advantages in concluding an agreement for peaceful nuclear cooperation with China. At the same time, the United States will approach China in the same way as it would any country; and U.S. cooperation with any nation must be conducted in a manner fully consistent with, and supportive of, our nuclear nonproliferation goals. We must have confidence that any equipment or material we sell to China under such an agreement is used only for peaceful purposes and is not retransfered without our consent. This is a sine qua non for our peaceful nuclear cooperation agreements with all countries.

I understand that the Chinese may be considering membership in the International Atomic Energy Agency. We would welcome this development.

Question 3. Do you agree with official United States policy in section 2(b)(4) of the Taiwan Relations Act, which states that we "consider any effort to determine the future of Taiwan by other than peaceful means, including by boycotts or embargoes, a threat to the peace and security of the Western Pacific Area and of grave concern to the United States."

Answer. As I have indicated, I fully support the policies of the United States Government as embodied in the Taiwan Relations Act. In this regard let me point out that it is not merely the hope but the expectation of the United States that any future resolution of the Taiwan issue will be peacefully arrived at by the Chinese people themselves.

Question 4. Do you believe that the nine-point unification plan of Communist China is a totally sincere offer or do you recognize that there are elements of propaganda in it and that the plan would actually require the governing authorities on Taiwan to discuss their own extinction by yielding their claim to political sovereignty on Taiwan?

Answer. President Reagan, in an April 5 letter to Vice Chairman Deng Xiaoping, stated that the United States was fully aware of the significance of the nine-point proposal of September 30, 1981, and in a letter to Premier Zhao stated that we welcome it. In my view, the Chinese proposal does reflect a policy to pursue a peaceful resolution of the Taiwan issue. Because we have an abiding interest that the resolution of the situation between Taiwan and the People's Republic of China be resolved by peaceful means, it is only natural that we welcome it. In saying this I do not imply any further judgment on the details of the proposal or suggest how a peaceful resolution of this problem should be achieved. That is a matter for the Chinese themselves.

[Whereupon, at 3:25 p.m., the committee adjourned, subject to call of the Chair.]

APPENDIX

PREPARED STATEMENT OF REVEREND LEON H. SULLIVAN, FOUNDER/CHAIRMAN, OPPORTUNITIES INDUSTRIALIZATION CENTERS INTERNATIONAL AND THE INTERNATIONAL COUNCIL OF EQUAL OPPORTUNITY PRINCIPLES, WASHINGTON, D.C.

Mr. Chairman: My name is Leon Sullivan. I wish to testify in support of the confirmation of Mr. George Shultz as Secretary of State.

I have known Mr. Shultz for more than fifteen years. I have worked with him closely when he served as Secretary of Labor and my National and International Job Training Projects required technical assistance and guidance from him and members of his staff.

Later I developed working relationships with him while he served as Secretary of Treasury and his department cooperated in a demonstration of job development for the disadvantaged in units of his agency across the nation.

Additionally as a member of the Board of General Motors Corporation, I have been associated with him since his return to the private secter as an executive at the Bechtel Corporation.

Mr. Chairman, I cite these personal relationships to indicate that my knowledge of his qualifications and my enthusiastic support of his confirmation is based on a long period of personal witness of his commitment to the ideals of democracy his involvement with humanitarian causes, and his finding of fulfillment in public service.

I am convinced that in this instance the President could not have found a citizen more eminently qualified nor tempermentally suited for the task of guiding the implementation of our National Foreign Policy.

I am convinced that the current crisis in confidence in government which prevails across the land can only be turned around if we get men and women of the caliber of George Shultz to enter government service.

This man is mature, dependable, compassionate and dedicated. He is concerned about the poor and disadvantaged and will bring hope to those who feel that all too often public policy-makers have brilliant minds and no heart. At the same time he is a pragmatic realist in today's world of complex international relations.

I feel that he can be relied to literally walk with kings and keep the common touch.

I am confident that the third and fourth world nations will find him as sensitive to their concerns as will the first and second world nations.

I know that the President will have in him the kind of loyalty, and confidentiality that the nature of this particular job requires. In addition it is clear that his long history of successful administrative leadership in both the government and business will assure the kind of support system in the Department of State that will provide maximum possible insurance of concentration on the goals and priorities of the President and practical implementation of the policies adopted by the Congress.

In short, my own view is that we are fortunate indeed to find at this time the right man in the right place at the right time.

I commend the President for having nominated him and I urge the Committee, Mr. Chairman, to confirm him.

The challenges he will immediately face are so serious, the dangers that must be dealt with are so threatening that we must sincerely say that he will remain in our prayers as he assumes a truly awesome task.

Thank you for hearing my views on this matter.

PREPARED STATEMENT OF LYNDON H. LAROUCHE, JR., CHAIRMAN, ADVISORY COUNCIL, NATIONAL DEMOCRATIC POLICY COMMITTEE, NEW YORK, N.Y.

Members of the Senate: It is my most carefully considered judgment that the President of the United States should have a Secretary of State whose personality,

qualifications, and outlook are subsumed by an overriding loyalty to the President himself.

Our is a constitutional republic, and not a parliamentary system of government. The powers and policies of Cabinet officers, including the Secretary of State, must reflect the fact of our system of government, that the powers of Cabinet and lesser-rank Executive functions are powers delegated by the President, but are never alienated from the President in the course of delegating them.

Therefore, if the name of a Cabinet officer is placed in nomination for the advice and consent of the Senate, if there be no disabling flaw of competence or character in the person so nominated, it ought to be the wish of the Senate to accept the President's nomination and confirm it, if we can also be assured that the nominee will function as an agent of the President's undiluted constitutional powers, and understands that that submission to the President's constitutional responsibility must be the pervasive characteristic of his service in that office.

Although I strongly disagree with numerous among the policies with which the nominee has been associated in past service to our government, I know of no flaw in him on which account I would recommend that the Senate prevent the President's will in this matter from being effected.

However, the nomination of a Cabinet officer is not merely an occasion for exercise of the powers of consent. It is also the occasion for exercise of the Senate's powers of advice. At few points in our nation's history has advice been more urgently required. It would be difficult to imagine any point in our history during which our foreign relations have been in a more perilous condition. We must explore, in present hearings on this appointment, what areas of urgent change in foreign-policy are required to rescue our nation from what presently appears to be a monstrous foreign-policy catastrophe.

To this point, I indentify summarily foreign-policy matters in which I have well-established expert qualifications. There are three interconnected matters to which I ask you to turn your attention. These are the interdependency between East-West and North-South Strategic crises, the ongoing collapse of the world monetary order, and the impact of gross disinformation of intelligence received from non-U.S. agencies upon the shaping of our foreign policy as well as our adjustments of foreign policies in practice.

The Senate is more or less aware that I publish a series of quarterly analytical forecasts on trends and turning-points in the U.S. economy, and that since these quarterly reports were first published, beginning the last quarter of 1979, my own forecasts have been the only competent forecasts published by any known public or private forecasting agency. I stress this fact to emphasize that the United States is presently in a new economic depression, and to indicate that contrary assessments of our economic situation originate entirely with economist circles which have proven themselves incapable of competently forecasting trends in our economy over the period from October 1979 to the present date.

I can also report, on the basis of regular discussions with international financial institutions and other relevant policy circles of numerous nations, that it is the prevailing judgment of Switzerland, London, and other centers that the immediate period of monetary crisis has two outstanding features. First, to the extent that analogies can be drawn in such matters, we are presently in a situation of impending general monetary collapse comparable to Spring-Summer 1931. Second, that the magnitude of the threatened monetary collapse dwarfs anything European civilization has experienced since the general collapse of Lombard banking during the fourteenth century.

Every problem confronting us domestically or in foreign relations now is either directly a result of this slide toward the deepest depression in modern history, or if not caused by this onset of depression, is shaped to a very large degree by economic and monetary pressures.

For example, to pin-point a very immediate, very concrete and potentially devastating problem. There is, in some misguided but influential circles, a delusion to the effect that we can collapse the "Soviet Empire" by aid of forcing a default on the external indebtedness of Poland, Hungary, and Romania. In fact, although that action might temporarily slow down certain features of the Comecon economy, it would have no damaging effect on the military sub-sector of the Soviet economy, which is approximately one-third of the combined agricultural and industrial economy of the Soviet Union as a whole, and would otherwise simply force the entire Comecon into greater Soviet economic domination as well as emphasis on resuming the kinds of relatively autarkical, dirigistic methods echoing the Stalin period. What such a forced default would accomplish is a chain-reaction collapse of the entire Western international monetary system as we now know it.

The problem is much worse than even that implies directly. This so-called Polish debt-scenario has been thoroughly studied in Japan, in the Federal Republic of Germany's bankng circles, and in London and Swiss financial centers. Some among the London and Swiss gentlemen concerned have worked out the following cute little operation against the U.S. dollar. First, they lure the United States into taking actions to damage the economies of the Federal Republic and Japan. This forces Germany and Japan to join with London and Switzerland against the U.S. dollar, simply as a matter of self-defense. These combined forces then, according to the London and Swiss scenario, let the trillion-dollar Eurodollar market collapse upon the U.S. dollar, putting the United States under financial receivership directed by the Basel Bank for International Settlements.

To assist this sort of scenario, central European and other sources have been passing into Washington specially doctored intelligence on the Soviet economy, false information to encourage Washington to believe that shutting down credits to the Comecon nations will cause an economic catastrophe hitting billiard-ball fashion into the heart of the Soviet economy itself.

Meanwhile, our ever-loving allies, Britain and France, have resurrected the 1916 Sykes-Picot Treaty-agreement, the agreement under which Britain and France then proposed to carve up the remains of the Ottoman Empire in Asia between them. Aided by elements in Israel enjoying Ord Wingate's pedigree, such as Defense Minister Ariel Sharon, and with aid of certain expedient measures of mutual understanding between Moscow and London, the intent is to throw the United States out of the Middle East. A similar Anglo-French policy is operational for Africa, and the French government plans to take over our former influence in parts of our hemisphere below the Rio Grande.

The administration of our foreign policy under the recently retired Secretary of State has not been precisely what one would describe as an Empyreal height of service to our national interests. Clearly, the relevant features of our foreign policy and related practices must be drastically changed, and immediately.

The North-South crisis is key to the complex of our foreign-policy problems as a whole. The problem is exemplified by the condition of approximately a quarter trillion dollars of external debt of Ibero-American nations. Presently, under present world-market trends, perhaps only Mexico and, perhaps Venezuela among those nations has the bare possibility of meeting the debt-service obligations coming due during the 12 months ahead. Moreover, the refinancing arrangements employed to cover over virtual debt-defaults over the recent five years are no longer functional. International lending institutions are presently committed to "de-coupling" from Ibero-America, Africa, and most of Asia. Virtually our entire, highly-exposed commercial banking system is threatened with chain-reaction collapse as a result of these combined circumstances.

If we could revitalize the world-market in capital-goods traffic and reschedule Ibero-American debt-overhangs in a proper fashion, the looming disaster could be prevented. There is no technical reason such measures could not be effected. The difficulty is entirely a matter of combined perception of the solution and the will to force through implementation of such solution in time to prevent the disaster.

Again, I must refer your attention to the implications of the successful performance of my quarterly economic forecasts. Those experts who argue that monetarist policies must not be eradicated immediately, and who oppose restoring a gold-reserve basis for the U.S. Treasury's issues of currency-notes, have abundantly demonstrated, through the miserable performance of their own varieties of economic forecasting, that they have simply not understood the bare fundamentals of our present economic and monetary situation.

This is a matter of foreign policy as much as of domestic policy. If the United States summons its will to restore the power of a gold-reserve-based U.S. Treasury currency-note, the world can be quickly induced to submit to our will in this matter. Most nations will be instantly delighted that we have done so. Certain institutions will resist strongly; the potential power of the United States must be summoned to improve their opinion in the matter.

Perhaps the Senate is firmly committed to policies contrary to my strong recommendations. The Executive and the Senate have the power to oppose my policy-recommendations quite efficiently in practice, that I concede. However, I forewarn you, that that is an exercise in the power to plunge our nation into a kind of disaster from which this republic might not rise again. Unless the shock of this new monetary crisis and economic depression can rouse leading institutions of this nation to clear away the fog of monetarist ideologies from our policy-thinking, we are already as good as finished permanently as a world-power.

If we summon our idled agricultural, industrial, and skilled-labor potentials to produce an outflow of capital goods for medium-to-long-term high technology development of the productive powers of labor in nations below the Tropic of Cancer, we will find a joyful reception for our policies among those and other nations, as well as a joyful eruption from our farmers, industrialists, and growing masses of unemployed. If we do this, we shall be setting into motion the "American Century" which President Franklin Roosevelt proposed during the period of the last World War. If we take that new course in foreign policy, there is no problem in foreign relations which will not become rather quickly manageable.

As to the Soviet Union, in the context of our resurrection of the "American Century" strategy policy, the matter becomes elementary. We say to Moscow: "We are summoning from our idled farms, factories, mines, and labor a power which may stun your powers of imagination. We are creating among our friends in this world a new world economic order, which we call the 'American Century.' It is a world ordered according to the conceptions of those who designed our Constitution, a world dominated by nations committed to the benefits of technological progress for each and all, arranged through an ordering of our system of credit and commerce to foster this result. Where does the Soviet Union stand with respect to our efforts to lift the hungered nations of the southern portion of our globe out of that heritage of colonialist looting and degradation whose remedy has already been postponed too long?"

These arms negotiations are necessary, but in and of themselves they are almost useless exercises. If the chaos the monetary crises are beginning to unleash is not stopped, we shall go to war whether we presently intend so or not. And, sooner or later, whatever remains of the thermonuclear arsenals of the world will be launched, because no government will know how to stop itself from unloosing them. If we bring the world to order, as the "American Century" implies, then, and only then, does the lessening of the impulse toward war impel nations to spend less on those weapons for which they have no prospective need.

These, I propose, exemplify the topics of advice on which the Senate should conduct its deliberations with the prospective Secretary of State.

PREPARED STATEMENT OF PAUL M. WEYRICH, PRESIDENT, FREE CONGRESS RESEARCH AND EDUCATION FOUNDATION, INC., WASHINGTON, D.C.

The condition of the modern world is such that American Presidents in recent years have had to spend increasing amounts of time in dealing with foreign affairs, even though their primary interests may have lain in domestic politics. Examples of this have been the absorption of President Johnson and Nixon by the Vietnam war, and President Carter's agony over the Iranian hostages. Whether we like it or not, foreign affairs impinge more and more closely upon our lives.

This fact means that the conduct of American foreign policy must be watched closely, and that the man charged with the primary responsibility for conducting that foreign policy bears a heavy burden.

We cannot know today how Secretary-Designate George Shultz will discharge those responsibilities, should he be confirmed by the Senate. But I should like to summarize very briefly for you the view of American foreign policy which many conservatives share, and raise one or two questions which come to mind upon a reading of Mr. Shultz's rather infrequent published remarks on foreign policy.

I am sure that the vast majority of Americans—conservative and liberal—would agree that the overall aim of our foreign policy should be to support our friends in the world, and undermine our enemies. That provides a consistent and logical approach to our foreign policy.

In one of his few published essays on foreign policy, Mr. Shultz has criticized what he calls "light-switch diplomacy," by which he means diplomacy guided by no firm principles, the instrumentality of an unpredictable foreign policy. He is quite correct in that fundamental criticism, and I fervently hope that he will pursue a consistent and correct foreign policy during his tenure in office.

I add the word "correct" to "consistent" in that formulation because there has in fact been a certain incorrect consistency in our foreign policy of late. The rule, indeed, seems to have been that we should support our enemies and undermine our friends.

President Nixon was, unfortunately, in large measure, a follower of that precept. He sought to court our greatest enemy, the Soviet Union, with smiles and promises of friendship and economic cooperation. After his first great "breakthrough" with Soviet dictator Leonid Brezhnev, he announced the dawning of a "generation of

peace." A decade later, after a mammoth Soviet military buildup, and with conflicts blazing around the globe, we can see how utterly fatuous that statement was.

However, the evil fruit of this precept was most visible in Mr. Nixon's China policy. In 1971 he abruptly reversed a consistent longstanding policy and by declaring his intention to visit Peking, capital of one of the most barbarous regimes on the face of the earth. By treating the Communist Chinese as though they were our friends, Mr. Nixon cut the moral heart out of our struggle against communism in Vietnam, thus contributing materially to the fall of South Vietnam and of Cambodia, and the holocaust visited upon the unfortunate peoples of those nations. And the fruits of that catastrophic policy are now emerging even more clearly in former Secretary Haig's campaign to betray one of our most faithful allies, the Republic of China on Taiwan, in order to curry favor with our enemy, Communist China.

This is one of the most despicable examples of our false policy of supporting our enemies and undermining our friends. But there are many others—for example, our treatment of our ally the Shah of Iran, our betrayal of President Somoza of Nicaragua, and even—striking very close to home—our betrayal of American citizens in the Canal Zone.

A sensible American foreign policy—one based on the principle of supporting our friends and undermining our enemies—would yield very different results from many of those produced even under the Reagan Administration. Let me give you a few examples.

First of all, our China policy would be quite different. We would offer to re-recognize the Republic of China on Taiwan, we would accord respect to their diplomatic and other representatives, and we would strengthen our economic and cultural ties with them. As for Communist China—if we maintained diplomatic relations with them at all—we would visit upon their diplomats the same sorts of humiliations and insults which we have in fact inflicted upon the diplomats of the Republic of China. We would seek to weaken Communist China economically and militarily, and to work quietly but effectively to block its initiatives throughout the world.

If President Nixon could move resolutely to reverse a policy of more than 20 years' standing which was in the best interests of the United States, President Reagan can certainly move just as resolutely to reverse a policy of 10 years' standing which is inimical to our interests.

We would pursue a similar policy toward the Soviet Union: we would seek to undermine and weaken it through every means at our disposal. The Voice of America would hammer incessantly at the deficiencies of the communist system. We should not supply the Soviet Union with foodstuffs and technology which it needs to build up its war machine. Any trade at all with the Soviet Union should be strictly on a cash basis: we would extend it no credits of any sort, and we would quickly declare it in default on any loans outstanding to it. Where it is involved in military aggression, as in Afghanistan, we would proudly and openly provide its enemies with all the arms and support they can use. In short, we would take advantage of every opportunity available to us to undermine the Soviet Union politically, economically, and militarily.

In other instances, we would be certain to support our allies in the world. We would, for instance, furnish political and military aid to all those forces which are fighting against communist tyranny throughout the world: not only in Afghanistan, but in Angola, in Vietnam, in Cambodia, in Loas, in Nicaragua, and wherever else appropriate.

We would give unswerving and firm support to those countries which espouse our political principles, however, imperfectly. Instead of threatening to suspend aid to El Salvador because their elections did not come out to the liking of the State Department, we should be supporting them to the hilt, as we should the other Central American countries which are under threat of communist aggression.

In Eastern Europe, we should let the peoples of those nations know we are on their side by constantly undermining and humiliating the governments which oppress them. In particular, we should immediately declare the government of the Polish puppet dictator in default on its debts to Western creditors, and we should cease to extend ally credits at all to the governments of Eastern Europe.

Mr. Shultz, incidentally, is a specialist in international finance, and I trust the Committee will question him on his views on the extension of credits to countries of the communist bloc.

Mr. Chairman, I realize that the picture I have drawn of what our foreign policy ought to be is so different from what our foreign policy actually is as to seem humorous to many people in this room. And yet, I submit, that picture follows logically from the principle which I enunciated—that of supporting our friends and undermining our enemies—one which, I am sure, the vast majority of Americans would

support. And we need to think very soberly about why there is such a discrepancy between that picture and the reality of our foreign policy.

In 1975, after leaving office, Mr. Shultz delivered a lecture at New York University entitled "Leaders and Followers in an Age of Ambiguity," in which he lamented the fact that we are no longer so certain of our enemies.

I will agree that there are always ambiguties in the actual implementation of foreign policy, but its principled guidelines in a democracy should be clear and unambiguous. If Mr. Shultz as Secretary of State formulates and follows clear and correct principles in the conduct of foreign policy, I have no doubt that he will find the great majority of Americans willing to accept his leadership.

But the hour is late. We have little room left for maneuver. The armed conflict in Central America moves closer to our own borders. It is quite conceivable that within the foreseeable future that conflict may move within our own borders. And that is something which our foreign policy must seek at all costs to prevent.

PREPARED STATEMENT OF ARNOLDO S. TORRES, NATIONAL EXECUTIVE DIRECTOR, LEAGUE OF UNITED LATIN AMERICAN CITIZENS, WASHINGTON, D.C.

On behalf of the League of United Latin American Citizens (LULAC), this country's oldest and largest Hispanic organization with over 100,000 members in 44 States, I would like to express our appreciation to the Chairman and committee members for having allowed us to present, for the record, our views on the nomination of Mr. George P. Shultz, Secretary of State designate. While we had written to the committee to indicate our desire to testify we recognized the urgency which accompanies this nomination and the limited time available.

The reason for our interest in the nomination of Mr. Shultz stems from our examination of how the United States has historically dealt with countries of Latin America. We believe that we as a country have not seriously concerned ourselves with the fate of these countries and their impact on us. We have neglected strengthening hemispheric solidarity except when there have been threats of communist expansion in the region. It is this simplistic, narrow understanding which has served as our foundation for U.S. foreign policy in Latin America, and has led to the destructive chaos in the South.

As Secretary of State, Mr. Shultz will be responsible for developing strategy and policy to hopefully rectify this situation. However, we in the Hispanic community must ask, what strengths and knowledge does Mr. Shultz bring with him in the area of Latin America? What is his degree of understanding of the problems which confront this region and its implications on this country? Does Mr. Shultz have a working knowledge of the historical complexities and dynamics of U.S.-Latin American relations? These are some of the concerns we feel must be addressed by this Administration and this committee. We are aware of Mr. Shultz' distinguished background as a public servant and as a private citizen. We are aware of his capacity to learn quickly and handle situations. But we are not aware of any background or interest he may have with Latin America.

We do not raise this issue as justification to oppose Mr. Shultz for we are not against his nomination. We raise this issue for this country must alter its approach in dealing with Latin American countries. We cannot continue to neglect, take for granted, or stereotype this region as "banana republics." The fate of these countries are much too closely tied to our development in one form or another. It is imperative that we not treat these matters only when they are of crisis proportions, but that we develop ways of ensuring that they do not reach such explosive levels.

With regards to our concern about the narrow and simplistic foundation of U.S. foreign policy with Latin America the Senate Democratic Policy Committee said it best in its report of June 1982—"From Gunboats to Diplomacy."—

"U.S. policy toward Latin America has been based upon four assumptions which are now obsolete; (1) the strategic assumption of bipolarity, which held that the world was divided into two opposing alliance systems, that of the United States and that of the Soviet Union; (2) the economic assumption of American enterprise which held that the principal motor of economic growth in the world was American investment and markets; (3) the ideological assumption of bipolarity, which held that there were only two significant world-views in world politics, liberal capitalism versus totalitarian communist; and (4) the political assumption of military regimes, which held that authoritarian military governments were stable and potentially loyal allies of the U.S. If the U.S. continues to base its policy on these obsolete unrealistic assumptions, the result will be disaster for U.S. national interests.

"New assumptions should be constructed which are based on the new realities: (1) a strategic assumption of multipolarity, in which the U.S. will continue to contain the expansionist tendencies of the Soviet Union, but will do so as the "Majority Leader" of shifting coalitions of nations; (2) an economic assumption of multipolarity, in which the U.S. will continue its extensive trade and investment ties with Latin America, but will do so as "first among equals" in a system of many industrial and newly-industrializing countries; (3) an ideological assumption of multipolarity, in which the U.S. acknowledges that it shares moral leadership with contemporary social democracy and contemporary Church groups, as legitimate forces between capitalism and communist, in Latin America; and (4) a political assumption that, in general and in the future, the best allies of the U.S. in Latin America will be centrist party regimes (in the more industrial countries) or national-populist regimes (in the less industrial countries), rather than conservative military ones."

We have seen over the last five years a serious increase in the political instability of Central American nations. We have seen, through the media, the actual horror and senseless killings of thousands of people brought about by the conflicting elements of civil war. This situation has raised the concern of the American people and its government. However, it appears that many are viewing this situation as communist forces against democratic ideals. While we must admit that this is an underlying concern which must be addressed, we do not consider it to be the major issue at hand. Unfortunately, this perspective has historically governed the foundation of our foreign policy with Latin countries. We believe that it has been precisely this approach which has stifled and limited our ability to assist in stabilizing this ever increasing turmoil.

During this time, the Hispanic community of this country has grown by 61 percent, in part due to major movements to the U.S. of people from Central American countries. Also, there has been an increasing fear that this country could possibly be involved in these conflicts, as well as concerns for the senseless killings of human beings in the countries of origin for many Hispanic-Americans. There is a definite need to have our perspectives known, discussed and integrated in U.S. foreign policy in Central and Latin America.

Perhaps more indicative of our interest in becoming involved in these matters are the statistics which show that from March 1979 to March 1981, the number of Central or South Americans in the U.S. increased from 840,000 to 1,022,000, thus becoming the fastest growing Hispanic group of people of Spanish origin. Also, the foreign-born population of the U.S. increased by 4.3 million between 1970 and 1980, with a majority residing in California, New York, and Florida.

Clearly, the make-up of American society and the Hispanic community is changing daily due to the influx of people from the southern region of the hemisphere as a result of economic and political instability. We must recognize, and act, on the reality that our foreign policy in this region does in fact play a major role in the movement of people "push factor."

In view of our growing desire to become involved in these matters, and in view of the realities that are moving us in that direction we would recommend to Mr. Shultz:

I. Creation of Hispanics Advisory Council to the Secretary of State. This Advisory Council would meet on a quarterly basis or as necessary so as to discuss and recommend on matters dealing with U.S.-Latin American relations.

II. Appoint a committee on Hispanics designated to travel on fact finding and goodwill missions to Latin America. Countries of Latin America need to recognize that our government is committed to involving Hispanics in foreign policy matters.

III. Appointment of more Hispanics to positions in the Department of State and U.S. Foreign Service. Statistics submitted by the Department of State on December 14, 1981 to the House Subcommittee on Civil Service indicate that out of a total 1,939 employees in all categories there were 22 Hispanics employed. Furthermore, they were primarily in grades 1-5. In addition, of a total of 319 new hires in 1981 only 1 was Hispanic. These statistics are clearly deplorable and must be corrected immediately.

IV. Establish a formal mechanism designed to recruit Hispanics for employment in the Department of State and Foreign Service.

V. Development of program to include Hispanic Businesses in economic development projects such as the Caribbean Basin Initiative. An effective element to bridge the gap between Latin America and the United States would be the Hispanic business community.

While we would not want anyone to draw the conclusion that our concern is for Mr. Shultz to simply concentrate on matters dealing with Latin America, we do want to make it clear that there must be more than a superficial understanding

which is activated only in crisis and fails to recognize the serious consequences for such neglect and insensitivity.

We would request of the Committee support for the concerns and suggestions we have raised in our testimony. We would ask that they merit and should receive serious attention by the Committee and the Administration. While we recognize Mr. Shultz will be confirmed based on his distinguished background and abilities, we nonetheless firmly believe that this Committee must work with him, and should encourage him to work with us in dealing with Latin America.

Thank you.